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WORLD AGRICULTURAL Situation





THE WORLD AGRICULTURAL SITUATION

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SUMMARY

Current prospects for world grain production point to a general easing of tight world food supplies around the world. Larger crops would likely contribute to a reduced volume of world trade in agricultural commodities, but a strengthening pace of economic recovery in the developed countries should help maintain the demand for agricultural imports.

The value of U.S. agricultural exports may be down somewhat in fiscal 1977, but recent downward revisions in foreign grain crops have strengthened U.S. export prospects reported in May. However, the actual level of exports will be strongly influenced by the effects of weather during the remainder of the season and by world food production.

World grain production is forecast up in 1976/77, and conditions have been generally favorable throughout most of the developed and developing world. This suggests that the tight international grain supply situation of the last 4 years has begun to ease. The first forecast of output has been lowered somewhat because of reduced prospects in parts of Western Europe and the USSR, but both are expected to show increases over last year.

World output is still expected to be somewhat above trend, and 1976/77 ending stocks are forecast well above the levels of the last 3 years. This projection, however, is very tenuous since most winter crops are not yet harvested, spring crops have just been planted, and harvests in the Southern Hemisphere are months away.

Grain feeding is expected to increase because of prospects of more ample grain supplies and generally strengthening livestock prices in the major feeding countries. This trend has been supported by a pickup in economic recovery. Herds may build up in the European Community and the United States. Increased meat trade will be dependent

Note: Unless stated otherwise, split years (e.g., 1975/76) mean July/June. Fiscal 1976 means July 1975/June 1976. Tons are metric and dollars are U.S. unless otherwise specified.

upon what seems to be an unlikely reduction in trade barriers in major consuming countries. The Soviet Union is one of the few areas where substantial increases in meat imports may occur.

World sugar production in 1975/76 was moderately above the poor 1974/75 crop. Carryover stocks are still scant, so 1976/77 supplies and prices will continue to be highly dependent on production prospects.

World production of green coffee fell sharply in 1975/76 and is likely to decline even further in 1976/77, largely because of weather damage in Brazil. Prices have reached the highest levels ever,

and are likely to remain high over the next 2 to 3 years.

Cotton fiber and textile demand picked up sharply in 1975/76 in response to improved economic conditions and prospects. Consumption of cotton will surpass production in 1975/76 and help cut down large stocks. Carryover stocks may be relatively low since demand in 1976/77 is likely to exceed production because of expected buoyant economic conditions.

World tobacco production in 1976 is expected to remain near last year's record level, but cigarette production will probably expand a little.

ECONOMIC RECOVERY PREVAILS

As first-quarter 1976 economic indicators became available in mid-spring, it became apparent that the pace of economic recovery in the developed countries and the demand for agricultural imports had begun to quicken. Consumer demand was restrained until very recently because the depressed economic conditions which prevailed in late 1974 and 1975 tended to dampen the demand for U.S. agricultural exports. Some economic forecasts for major developed countries for calendar 1976 are now being revised upward in light of the good first quarter in most of Western Europe, Japan, and Canada.

One favorable portent for an orderly recovery is the restraint that trade unions nearly everywhere are showing. While inflation rates declined in 1975 from 1974 peaks, they have been high for a period of depressed economic activity (table 1). There is little upward pressure on wages because of heavy unemployment and governmental desires to prevent recovery from stimulating inflation. Wage rates in selected countries through mid-1975 are shown in table 2.

Wage settlements, the rate of increase in industrial production (table 3), employment, and the consequent pace of demand resurgence are the main factors that bear watching in the next few months in relation to agricultural demand. Recovery in employment levels will likely occur much more slowly in the developed countries than it has after other recent recessions.

The overall soundness of the U.S., Japanese, and Canadian recoveries and the acceleration of recovery in most of Western Europe may already have begun to affect demand for raw materials and

food produced by the developing countries. In 1975, prices of many of these commodities fell substantially from their 1974 peaks, but they have turned up in recent months (table 4). There have been some improvements in the terms of trade for developing countries. In the meantime, however, the developing countries as a group continue to struggle to match export earnings, loans, aid, and grants with their immediate import needs, including food and capital items needed for longer term economic growth. Many of these countries have been experiencing declining import coverage ratios—the ratio of foreign exchange reserves to average monthly import expenditures (table 5).

The larger oil-producing countries continue able to financed expanded demand for agricultural imports. In Iran, however, a distinct slowdown in imports of agricultural products has already occurred due, in part, to large-scale spending for imports in 1974 and in the first half of 1975 and to severe port congestion; offloading now takes 4-6 months at tremendous cost in shipping penalties. The developed countries stepped up oil imports in the first few months of 1976, and the decision by the Organization of Petroleum Exporting Countries (OPEC) in late May not to increase oil prices now should help maintain oil exports.

The Jamaica Accord, reached in January, officially recognized the beginning of a new international monetary system which allows for much more flexible exchange arrangements than ever before. This agreement formalized *de facto* exchange rate arrangements that have become universal since 1971. International currency fluctuations thus far this year continue to point up the strength of the U.S. dollar. (*A. Vellianitis-Fidas*)

Table 1--Consumer Price Increases in Selected Major Economies 1/

Country	3 months	1 year <u>2/</u>
Belgium	1.9	9.7 (4)
Canada	1.3	9.7 (3)
France	2.3	9.5 (2)
Germany	1.9	5.4 (3)
Italy	4.1	11.8 (2)
Japan	3.9	10.2 (4)
Netherlands	2.4	8.9 (3)
Sweden	2.6	10.6 (2)
United Kingdom	3.1	21.2 (3)
United States	.7	6.1 (3)

1/ Not seasonally adjusted.

2/ Number in parentheses indicates month of indicator

Source: IMF, International Financial Statistics, June 1976.

Table 4--Price Changes of Selected Raw Materials - Percent

	3 months	1 year
Beef	21.7	30.2 (4)
Cocoa	17.5	21.9 (4)
Copper	26.8	13.6 (4)
Cotton	-3.6	42.5 (4)
Fishmeal	.3	36.0 (3)
Lead	35.2	-5.2 (4)
Plywood	26.5	17.9 (3)
Rubber	17.6	32.4 (4)
Sisal	18.8	-46.9 (3)
Tin	11.8	-8.3 (3)
Zinc	14.3	-1.7 (4)

Source: IMF, International Financial Statistics, June 1976.

Table 2--Hourly Wages in Selected Countries

Country	1970	1974	Midyear 1975
Belgium	\$2.08	\$5.10	\$6.46
Canada	3.46	5.50	6.20
France	1.74	3.41	4.57
Germany	2.32	5.31	6.19
Italy	1.75	3.48	4.52
Japan	0.99	2.70	3.10
Netherlands	1.99	4.96	5.98
Sweden	2.93	5.48	7.12
United Kingdom	1.48	2.61	3.20
United States	4.20	5.66	6.22

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 3--Industrial Production Indices in Selected Economies--Seasonally Adjusted Percent Change

Country	3 months	1 year <u>1/</u>
Belgium	.0	-6.3 (12)
Canada	2.7	1.6 (1)
France	5.3	2.6 (1)
Germany	3.2	6.2 (2)
Italy	.5	.6 (1)
Japan	5.1	8.6 (2)
Netherlands	-1.6	4.3 (3)
Sweden	3.4	0.0 (1)
United Kingdom	1.2	-3.4 (2)
United States	2.5	11.5 (4)

1/ Number in parentheses indicates month of indicator.

Source: IMF, International Financial Statistics, June 1976.

Table 5--Import Coverage Ratio by Months 1/

Country	1973	1974	1975	1976 <u>2/</u>
Argentina	7.1	4.3	1.3	N.A.
Guatemala	5.9	3.5	1.6	N.A.
Mexico	3.9	2.6	2.8	3.1 (1)
China, Republic of	3.6	2.1	2.4	2.0 (3)
India	4.3	3.2	2.7	N.A.
Thailand	7.7	7.3	6.9	8.7 (3)
Philippines	7.0	5.2	4.2	4.4 (2)
Kenya	4.5	2.3	2.3	N.A.
Tunisia	5.8	4.5	3.2	N.A.
Costa Rica	1.3	.8	.9	.9 (3)
Ecuador	5.4	4.4	3.6	4.2 (3)

1/ International Reserves are divided by average imports by month for the same period. The result indicates how many months of imports the country could afford to buy at present with reserves at hand.

2/ Number in parentheses indicates most recent month data was available.

Source: IMF, International Financial Statistics, June 1976.

U.S. AGRICULTURAL TRADE¹

U.S. agricultural exports and imports are both expected to increase in value only a little in fiscal 1976. Expanded volume will more than offset lower prices. The agricultural trade balance will be close to fiscal 1975's \$12-billion surplus.

Fiscal 1976 Exports

When final figures are available, U.S. agricultural exports will likely have reached \$21.9 billion in fiscal 1976, compared with \$21.6 billion in fiscal 1975. Export volume of major bulk commodities is expected to be slightly above the record high of 100 million metric tons in fiscal 1974, and a fifth above last year's volume (table 6). Record wheat, feed grain, and soybean exports are expected. Much of the increase from fiscal 1975 will result from expanded shipments to the USSR, Eastern Europe, and South and East Asia (table 7).

U.S. wheat and feed grain exports are rebounding strongly from the low level of fiscal 1975 shipments, which were limited by the short 1974 U.S. grain crops. The United States harvested a record-high grain crop in 1975, when European and Soviet grain production was reduced significantly by poor weather. Wheat exports to Brazil, North Africa, and the developing countries of South and East Asia are also well above year-earlier levels. Japan, Taiwan, and India have greatly increased their imports of U.S. feed grains.

Strengthening foreign demand for feed has also boosted U.S. soybean exports. Shipments to the largest markets, Western Europe and Japan, will greatly exceed fiscal 1975's low levels. Some growth in soybean exports has occurred at the expense of soybean meal and oil exports.

WORLD PRICE DEVELOPMENTS

Through May 1976, prices rose as U.S. crop development for grains and soybeans began to unfold. The June Gulf port price for corn (No. 3 yellow) averaged \$3.15 a bushel, 11 cents a bushel higher than in May and 8 cents more than a year ago. Recent foreign purchases of U.S. grain and increased feeding helped strengthen U.S. corn prices.

In May, the Gulf port soybean price (No. 2 yellow) averaged \$6.39 a bushel, 93 cents more than last year. Soybean prices, which had been in the

Fiscal 1977 Exports

U.S. agricultural exports may be somewhat smaller in fiscal 1977 if crops are average or better around the world. Current prospects point to an increase in global agricultural production in the 1976/77 growing year from 1975/76's reduced level. The magnitude of fiscal 1977 U.S. agricultural exports will be strongly affected by weather conditions at home and abroad. World grain production is expected to increase significantly, with many countries participating in the increase, particularly the USSR. Lower prices for inputs and higher government support prices in some countries will encourage farm output. But it is still very early in the season, and the possibility always exists of poor weather this summer for North Hemisphere crops, an insufficient Asian monsoon, or poor growing conditions next winter in the Southern Hemisphere.

Fiscal 1976 Imports

Fiscal 1976 U.S. agricultural imports are estimated at \$10 billion, up from \$9.6 billion in fiscal 1975. Imports of most commodities, except sugar, are expected to be greater in value. The anticipated \$1-billion reduction in sugar imports will result largely from lower prices; volume is also expected to be down somewhat. During the first 11 months of fiscal 1976, coffee imports were up 33 percent in volume. Following the severe Brazilian coffee freeze of July 1975, U.S. importers increased their purchases in anticipation of higher prices and tight supplies. The dramatic increase in vegetable oil imports is being more than offset by lower prices. (*Sally E. Breedlove*)

doldrums, gained 87 cents a bushel from May to June as West European buyers purchased soybeans and as it became evident that 1976 U.S. soybean plantings would probably be down from a year ago.

The U.S. Gulf port price for wheat (HRW No. 2) rose to \$4.00 a bushel in June, 13 cents higher than in May and 53 cents higher than a year earlier. The rise reflected, in part, lowered estimates of the 1976 European and Soviet wheat crops.

The New York spot price for coffee at \$1.45 a pound was at a record level, reflecting the poor the fourth quarter of 1975 than they were during the same quarter of 1974.

In the EC, fertilizer and fuel prices continued to rise in 1975, but not so drastically as in 1974. Most

¹This section is based largely on the more detailed review contained in the May 19, 1976 *Outlook for U.S. Agricultural Exports*, published by the Economic Research Service and the Foreign Agricultural Service.

Table 6.-U.S. agricultural exports: Volume of selected commodities,
fiscal years 1973-1976

Commodity	1973	1974	1975	Forecast 1976
----- Million metric tons -----				
Wheat and flour	32.037	31.053	28.015	32.4
Feed grains	35.371	43.734	34.327	46.5
Rice	1.941	1.570	2.231	1.8
Soybeans	13.754	14.049	11.022	14.3
Vegetable oils	1.012	1.050	1.061	.7
Oilcake and meal	4.802	4.983	4.263	4.2
Cotton, including linters	1.083	1.326	.879	.8
Tobacco .....	.268	.313	.290	.3
Fresh fruit .....	.987	1.096	1.294	1.3
Animal fats	1.152	1.135	1.155	.8
Total	92.407	100.309	84.537	103.1

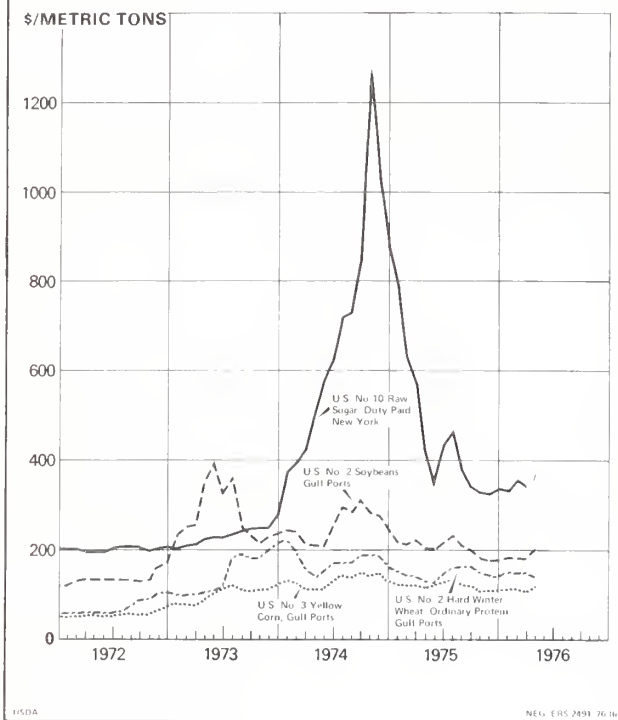
Table 7.- U.S. agricultural exports: Value by regions,
fiscal years 1973-1976

Region 1/	1973	1974	1975	Forecast 1976
----- Billion dollars -----				
Western Europe	4.493	6.971	7.078	7.0
European Community	3.629	5.441	5.386	5.5
Other Western Europe .....	.864	1.530	1.692	1.5
Eastern Europe .....	.498	.872	.746	1.0
USSR .....	.954	.585	.410	2.0
Asia	4.602	8.004	8.292	7.3
West Asia .....	.338	.816	1.585	.8
South Asia .....	.392	.663	1.235	1.4
Southeast Asia & East Asia (excluding PRC & Japan)	1.389	2.254	1.921	2.0
Japan	2.278	3.381	3.217	3.1
PRC .....	.205	.889	.335	<u>2/</u>
Canada .....	.847	1.242	1.331	1.3
North Africa .....	.181	.646	.773	.8
Other Africa .....	.177	.408	.394	.4
Latin America	1.092	2.437	2.436	2.0
Oceania .....	.058	.128	.125	.1
Total	12.902	21.293	21.585	21.9

1/ Adjusted for transshipments through Canada, the Netherlands, Belgium, and West Germany.

2/ Less than \$50 million.

INTERNATIONAL TRADE PRICES OF SELECTED COMMODITIES *Monthly, 1972-76*



1976 world crop. International rice prices were two-thirds of their inflated level of a year ago while sugar prices were only about one half of their former level. International cotton and rubber prices have strengthened, responding to the improved economic climate. Vegetable oil prices continued weak through May. Beef, lamb, tallow, and cattle hides have experienced rising prices in comparison to a year ago.

Farm Prices

U.S. farm prices, at an index of 192 (1967=100) in May, increased 1.5 percent from the previous month and averaged 5 percent above a year earlier. Higher prices since mid-April for corn, cotton, and soybeans were largely responsible, despite lower prices for cattle and milk. Cattle prices averaged only slightly higher than a year ago. Corn and soybeans were slightly less. American upland cotton, however, was more than 50 percent higher than a year ago.

Japanese farm prices continued to gain through the early months of 1976. Both wheat and rice prices were 13 percent higher in March 1976 than in March 1975. Meat animal prices were 20 percent higher than a year earlier.

Canadian farm prices in fourth-quarter 1975 were the same level as a year earlier. Gains made

in crop prices were offset by lower prices received for livestock products.

In December 1975, prices received by EC farmers were generally on the upswing in both the crop and livestock sectors. In October 1975 farm level prices were higher than in October 1974 in West Germany, France, Italy, the Netherlands, Belgium, and Ireland. Potatoes experienced the sharpest price hike because poor growing conditions led to a sharp decline in production.

EC wholesale market prices of beef were higher in May than they were a year ago. Except for Belgium, EC cattle prices were at their highest level of recent years. EC hog prices were strongly on the upswing early in the year, except in Ireland, but have since moderated. In Italy, market hog prices rose 45 percent from February 1975 to February 1976.

By the third quarter of 1975, the U.S. farm prices had increased 72 percent in comparison to 1970 (table 8). Belgium, West Germany, France, Norway, Portugal, and Sweden are a few of the countries whose farm level prices have increased at a slower rate. Italy, Yugoslavia, United Kingdom, Canada, and Spain are among those whose farm level prices have increased faster.

Prices of Agricultural Inputs

The index of prices paid by U.S. farmers for commodities and services, interest, taxes, and wages in May was 193 (1967=100), unchanged from April, and 7 percent above a year ago; gains in prices received by farmers were offset by rising input prices. While U.S. fertilizer prices have declined, feed prices have increased slightly and feeder livestock prices have risen 22 percent, from to a year ago.

Japanese farm input prices this March were only 2 percent higher than in February 1975. Feeder livestock was priced 28 percent higher than a year earlier, but livestock feed was 10 percent lower. Agricultural chemicals and inorganic fertilizer were both priced 10 percent higher than a year ago. Dairy-feed, hog-feed, and beef-feed price ratios have improved during 1975/76, and have returned to the more profitable levels that prevailed in 1971/72 and 1972/73. Livestock-feed ratios were also improving for all categories of livestock.

Canadian farm input prices continued to climb, but at a decelerated rate. The index of farm inputs increased 7 percent from the fourth quarter of 1974 to the fourth quarter of 1975, with fertilizer cost increasing 6 percent and petroleum products increased 28 percent. Livestock feed prices, which increased slightly from the second to the fourth quarter of 1975, were 6 percent lower than a year earlier. Feeder cattle prices were 4 percent lower in

Table 8.--Index of prices received by farmers in selected countries

Country	1973				1974				1975			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Australia*	165	n.a.	172	113	108	115	121	128	133			
Belgium	122	114	121	199	190	184	179	187	190			
Canada*	165	193	198	132	133	141	139	143				
France	132	136	134	116	115	120	122	129	137			
Germany	125	118	122	181	166	180	209					
Ireland	170	172	175	160	164	175	179					
Italy	145	164	162	138	152	163	170	171	167			
Japan	132	160	142	215	218	225	241					
Korea	164	216	193	116	111	112	117					
Netherlands	122	115	121	162	151	139						
New Zealand	173	157	176	114	132	135	129	130	151			
Norway	113	140	114	144	135	152	152	157	158			
Portugal	130	145	147	157	162	163	161	167				
Repu blic of South Africa	148	157	147	160	146	159	164	152	176			
Spain	141	184	144	130	135	137	142	144	154			
Sweden	123	134	130	153	156	181	185	192				
United Kingdom	146	164	167	180	165	165	153	160	172			
United States	156	166	183	n.a.	199	211	220	228	172			
Yugoslavia	145	189	n.a.						172			

Table 9 .--The food component of the consumer price index in selected countries

Country	1972	1973	1974	1975	1974				1975			
					I	II	III	IV	I	II	III	IV
-- 1970=100 --												
Argentina	231	359	413	---	373	389	410	479	575	711	---	---
Australia	108	124	142	154	138	143	147	146	148	153	155	160
Austria	110	118	128	136	125	127	130	131	133	135	139	139
Bangladesh	148	217	371	---	265	304	397	518	518	445	434	---
Belgium	109	117	128	143	123	127	131	133	136	140	145	150
Cameroon	114	123	146	---	135	142	149	159	166	167	176	---
Canada	109	125	145	164	136	142	148	153	156	160	169	170
Colombia	128	169	215	---	194	215	212	238	272	298	259	---
Czechoslovakia	99	100	100	100	99	100	100	100	100	100	100	100
Denmark	116	131	147	163	140	144	148	155	158	162	168	169
Ecuador	118	142	188	---	166	192	192	204	219	224	---	---
Egypt	108	116	135	---	127	135	136	143	144	150	151	---
Ethiopia	88	99	108	112	106	110	108	107	102	110	117	121
France	115	126	141	156	134	139	142	146	149	154	158	162
Germany, West	110	118	124	130	122	124	124	125	127	131	131	131
Greece	109	133	169	190	163	170	169	175	184	191	185	198
Guatemala	98	117	136	---	123	127	132	160	159	159	152	---
India	108	131	171	---	149	164	183	188	182	182	---	---
Indonesia	113	162	229	---	217	229	227	244	265	268	278	---
Iran	116	124	144	162E	135	147	144	148	165	176	154	---
Ireland	120	140	160	195	149	157	163	173	183	183	195	201
Israel	123	149	215	314	196	208	205	253	298	314	308	338
Italy	111	124	146	171E	134	140	149	160	166	170	174	---
Japan	110	124	159	180	150	155	161	169	174	178	180	186
Jordan	118	140	189	216E	183	201	181	191	211	226	204	---
Korea	135	138	176	232	164	171	183	188	203	227	244	255
Liberia	91	118	149	---	137	144	160	156	168	171	---	---
Malawi	116	124	144	170E	140	139	147	151	166	169	165	---
Malaysia	105	121	154	159E	148	151	154	160	163	157	158	---
Mexico	108	129	174	---	165	169	179	183	188	192	198	---
Morocco	112	118	141	152	138	140	140	147	149	150	152	156
Mozambique	130	127	159	---	148	150	160	163	172	174	---	---
Netherlands	111	120	129	140	126	126	129	133	135	137	140	143
New Zealand	114	127	142	157	137	140	144	146	147	153	160	168
Niger	123	144	148	---	145	144	154	148	152	156	---	---
Nigeria	128	125	150	---	143	153	153	153	179	214	231	---
Pakistan	110	138	180	221	163	172	189	197	207	222	226	228
Paraguay	121	147	183	190E	192	183	178	180	187	182	195	---
Peru	115	126	150	---	138	147	155	160	180	180	196	---
Philippines	157	164	237	---	211	233	252	253	256	250	---	---
Poland	200	102	113	114	107	116	118	113	113	114	114	115
Portugal	120	131	173	214	153	165	181	193	203	211	216	226
Rep. of South Africa	112	129	149	---	137	142	154	161	166	168	174	---
Spain	118	132	152	177	142	148	154	162	168	174	182	189
Sri Lanka	108	122	139	150	133	135	141	147	149	150	150	149
Sweden	119	126	134	150	132	130	133	139	142	146	154	158
Thailand	197	122	157	163	143	160	162	165	160	163	164	---
Turkey	127	152	181	---	163	173	189	198	221	237	236	---
United Kingdom	121	139	164	206	156	162	164	174	188	206	211	219
United States	108	123	141	153	137	139	142	146	149	150	155	156
Uruguay	197	400	690	1,403E	546	596	710	910	1,038	1,087	1,194	---
Venezuela	109	117	133	150E	122	122	138	144	146	149	152	---
Yugoslavia	139	169	196	252	194	202	200	214	232	249	256	271
Zaire	142	165	216	---	209	218	213	225	239	261	278	---
Zambia	112	119	130	---	128	129	130	131	137	142	---	---

Source: International Labor Office, Bulletin of Labor Statistics.
E = Estimates 11 months.

feedstuffs were priced higher in December 1975 than in December 1974. Nevertheless, livestock-feed price ratios improved in the EC.

Exports and Imports Unit Values

The index of U.S. agricultural export prices (unit values) has remained nearly steady since December 1975; in April the index, at 202 (1967=100), was 9 percent lower than a year earlier. The export unit value of wheat was 8 percent lower in April than a year ago, corn 14 percent lower, and soybeans 23 percent lower. Soybean oil was exported at about half the unit value of a year ago. Wheat flour, grain sorghum, and rice were lower than a year ago, while cotton, tobacco, tallow, soybean meal, and cattle hides were all priced higher.

In April 1976 the index of U.S. import prices (unit values), at 202 (1967=100), was 11 percent below a year earlier largely because of a decline in sugar prices. Cocoa beans and tomatoes also had declining import unit values, while unit values of green coffee (at 83 cents a pound in April), beef and veal, hams, tobacco, wool, bananas, and wine had increasing import unit values.

The price index of Japan's imported foodstuffs had declined 13 percent in January from a year

earlier. Unit values of imported meat had risen 11 percent, while those for wheat, corn, and soybean had declined.

In February, West German agricultural import prices were 6 percent higher than a year earlier. Livestock and meat import unit values have strengthened but soybean imports were priced 28 percent lower than a year earlier. Soybean meal was priced 34 percent higher, while wheat and corn were 3 percent higher.

Consumer Food Prices

In the United States, the May consumer price index (CPI) for food, at 180 (1967=100), was 5 percent higher than a year earlier and about unchanged since October 1975. The April 1976 CPI for food was 5 percent higher than a year earlier. During the fourth quarter of 1975, the food component of the U.S. consumer price index was 7 percent higher than a year earlier (table 9). Sri Lanka, Austria, West Germany, Mozambique, Czechoslovakia, and Poland are a few of the countries that have had a slower rate of price increase for food than the United States from the fourth quarter of 1974 to the fourth quarter of 1975. (*H. Christine Collins*)

WORLD FERTILIZER SITUATION

In 1974, fertilizer was in short supply. Driven by strong demand and limited production capacity, prices rose to record levels. Heavy financial losses in the late 1960's had discouraged investment so that new plant capacity was inadequate to meet the strong demand resulting from widespread crop shortfalls, record high grain prices, and some published projections indicating continued fertilizer shortages and rising prices. Panic and speculative buying exaggerated both actual shortages and price rises. Many countries, particularly developing countries, imported fertilizer at such high prices their farmers could not afford to use it.

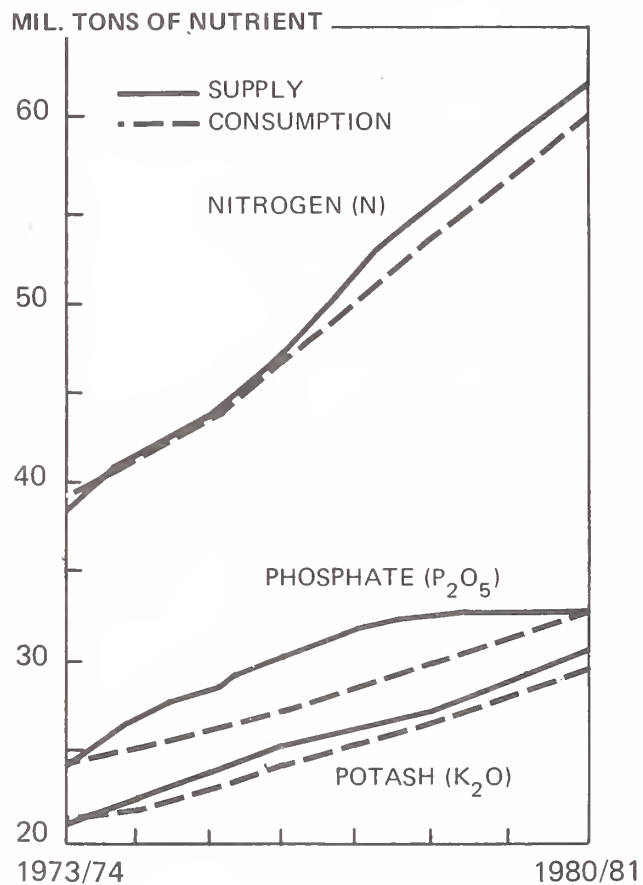
In 1975, shortages disappeared and prices fell rapidly to roughly 1973 levels primarily because of a fall-off in demand. According to preliminary FAO data for 1974/75, total world fertilizer consumption fell 2.5 percent, with a slight increase in nitrogen consumption offset by declines in phosphate and potash. Fertilizer consumption fell substantially in several major countries, including the United States, France, and India. It fell in the developed countries, but rose slightly in most of the developing countries. Fertilizer consumption con-

tinued to grow fairly rapidly only in the centrally planned countries as a group.

Inventories in both exporting and importing countries rose rapidly. With big inventories and weak domestic demand, many developing countries began to reduce fertilizer imports. India, Brazil, Indonesia, and the Philippines temporarily embargoed fertilizer imports. By the end of 1974/75 world fertilizer inventories had increased by 5.5 million nutrient tons (6.7 percent of consumption) over the very small stocks of 1973/74.

With a continuation of these soft market conditions in 1976, adequate fertilizer supplies and reasonable prices on world markets are expected. International trade prices for major fertilizer products have remained weak during the first part of 1976, although most have partially stabilized at fairly low levels. Continued weakness in foreign import demand for nitrogen and phosphate is likely unless foreign grain prices rise enough to make foreign fertilizer use more profitable, or until large inventories are reduced, particularly in the developing countries which account for two-thirds

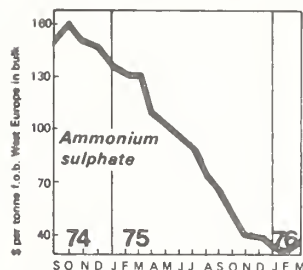
ESTIMATED WORLD FERTILIZER SUPPLY AND CONSUMPTION



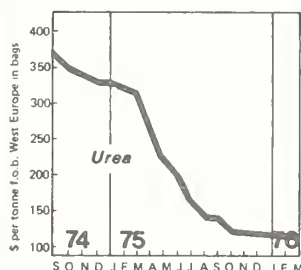
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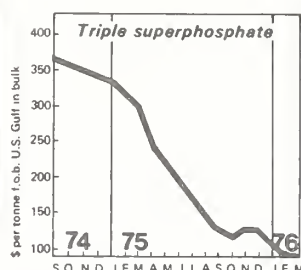
RECENT INTERNATIONAL PRICE TRENDS FOR PRINCIPAL FERTILIZERS



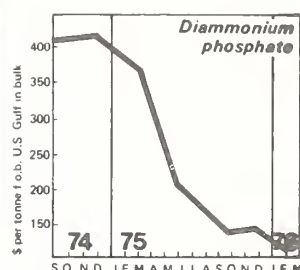
In both the United States and West Europe there has been a noticeable firming of prices compared with the lowest levels reached in recent tenders and European sales to China.



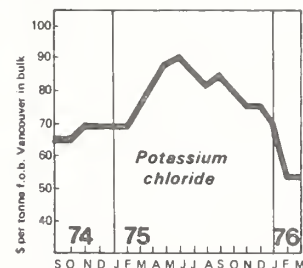
The past month has seen a hardening of prices both in the U.S. and West Europe. East European suppliers on the other hand continue to follow an independent line and recent sales have been made at low levels.



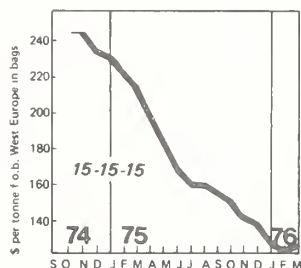
Phosphem prices were increased as from 1 March but the weak nature of the market means that Phosphem will continue to offer below these levels to secure business.



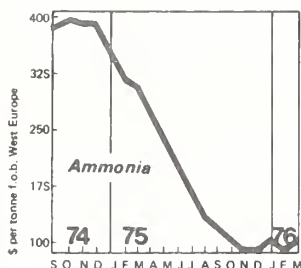
With no major purchases to affect prices, the market for DAP remains weak although indications that nitrogen prices are firming must favour DAP which is a relatively cheap source of nitrogen.



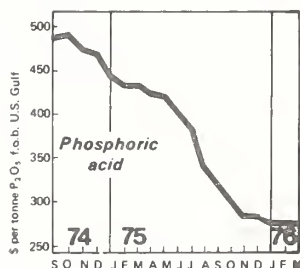
The low prices established in the Taiwan tender have been maintained. In Europe the main interest has centred around purchases in Turkey whilst both New Zealand and Malaysia purchased substantial tonnages.



The prices of compounds have declined relatively more slowly than straight nutrient products. However, the current levels are in line with prices obtained for products such as triple superphosphate.



By the middle of March most "cheap ammonia" had either been sold or committed and as a consequence, new inquiries were faced with a firming of prices. In the medium term prices could rise to \$120-130 f.o.b.



The market continues to be depressed with solid product favoured over acid purchases.

Source: British Sulphur Corporation, *Fertilizer International*, No. 82, April 1976, p. 6.

of world nitrogen imports and about half of world phosphate imports. Nevertheless, the estimated world balance is still close, especially for nitrogen. The situation in the short term could tighten rapidly should fertilizer demand revive strongly, or should supplies be unexpectedly reduced.

Overall, a recurrence of tight world market conditions for fertilizer seems unlikely over the next few years. World capacity, particularly for nitrogen

and phosphate, should increase substantially. Current projections indicate continuing improvement of the world fertilizer supply-demand balance until the late 1970's.

For a more detailed discussion of present and future fertilizer prospects, see Economic Research Service, *World Fertilizer Review and Prospects to 1981*, FAER 115, February 1976. (Richard Reidinger)

TIGHT WORLD GRAIN SUPPLIES EASING

An early July reduction in the estimate of Western European grain production of 4 million tons is reflected in tables 10-13, but could not be included in the text.

Preliminary production, consumption, and trade data for 1975/76 indicate that the tight world grain supply situation of the last 4 years has begun to ease. World supply and demand, however, continue to be closely balanced at relatively high prices, and ending stocks of grain are expected to remain at or near the low levels of the last 3 years. Production forecasts for the upcoming 1976/77 year indicate the world grain situation could well swing back toward more plentiful supply, somewhat lower

prices, and stock accumulation—particularly in the major exporting countries. Any 1976/77 production forecast made this early in the crop year, however, is extremely tenuous. Little of the Northern Hemisphere's 1976/77 winter crop has been harvested yet and sowing of the spring crop has only recently been completed. The Southern Hemisphere's 1976/77 harvests will not be completed for another 7 to 9 months. Rice production estimates and, to a somewhat lesser extent, wheat and coarse grain esti-

mates could well change up to 5 percent or 65 million tons in either direction in the months ahead due to weather fluctuations alone.

Production

1975/76 Situation

Preliminary 1975/76 world wheat, milled rice, major coarse grain, and minor coarse grain production data put this year's grain crop at 1,220 million metric tons or roughly 20 million tons above the depressed 1974/75 level (table 10). Despite this increase, however, the 1975/76 crop is still roughly 32 million tons below the 1973/74 record and approximately 34 million tons below the trend of the last decade and a half. With world population increasing at some 2 percent annually, 1975/76's world per capita production of 307 kilograms in 1975/76 is only marginally above 1974/75's 10-year low.

The poor weather and bad crops of 1975/76, however, were largely concentrated in the Soviet Union and the European Community (EC). The Soviet Union's 1975/76 wheat, milled rice, and major and minor coarse grain crops were reported at 134 million tons compared with a disappointing

World grain production, actual and 1960/61-75/76 linear trend¹

	Actual	Trend	Deviation
<i>Million metric tons</i>			
Total grains			
1960/61-62/63	853	848	5
1969/70-71/72	1,121	1,110	11
1972/73	1,151	1,167	-16
1973/74	1,251	1,197	54
1974/75	1,201	1,226	-25
1975/76 ²	1,220	1,254	-34
1976/77 ³	1,303	1,284	19
Wheat			
1960/61-62/63	241	241	0
1969/70-71/72	325	326	-1
1972/73	344	344	0
1973/74	372	354	18
1974/75	357	363	-6
1975/76 ²	350	372	-22
1976/77 ³	371	382	-11
Milled Rice			
1960/61-62/63	161	161	0
1969/70-71/72	208	205	3
1972/73	204	215	-11
1973/74	219	220	-1
1974/75	224	225	-1
1975/76 ²	238	230	8
1976/77 ³	241	235	6
Coarse grain			
1960/61-62/63	451	446	5
1969/70-71/72	588	579	9
1972/73	603	608	-5
1973/74	660	623	37
1974/75	620	638	-18
1975/76 ²	632	652	-20
1976/77 ³	691	667	24

¹Trend calculated on world totals of tables 10-13.

²Preliminary. ³Forecast.

186-million-ton crop in 1974/75 and a previous record of 213 million tons in 1973/74. Shortfalls in the EC pulled their 1975/76 crop down to 99 million tons, compared with an 108-million-ton average over the three previous years.

Production outside these two areas is reported to have hit a record 987 million tons, or a full 77 million tons above the 1974/75 level. The size and distribution of this year's production increases were sufficient to raise per capita grain production to record or near-record levels in virtually all of the remaining developed and centrally planned countries. Increases in the developing countries were sufficient to halt, at least temporarily, deterioration in per capita production and attendant growth in dependence on imported grain.

Of the individual grains, increases in rice production were the most marked (table 11). For the first time since the great rice crop shortfall of 1972/73, rice supplies are relatively abundant; production in 1975/76 is estimated to have shot up 8 million tons above trend to 238 million tons due to 3-percent greater area and better yields from well-

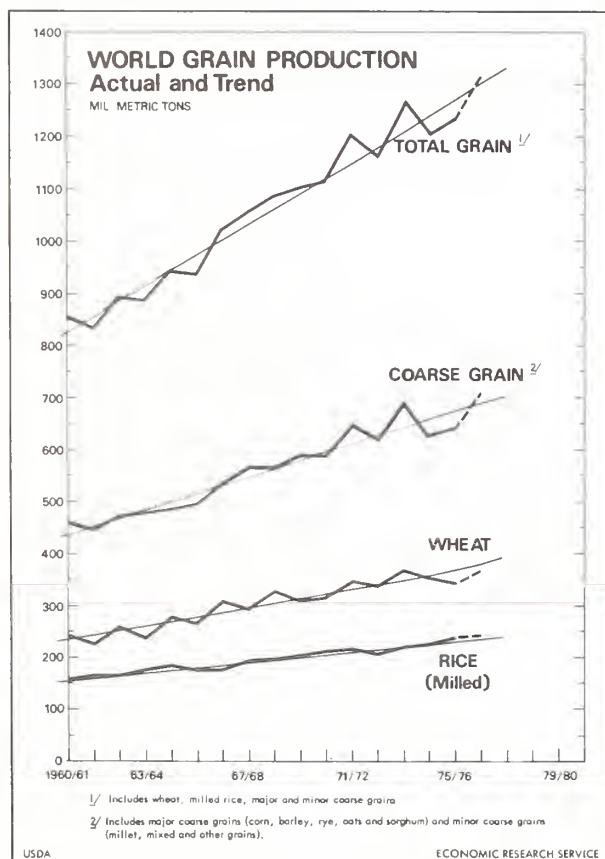
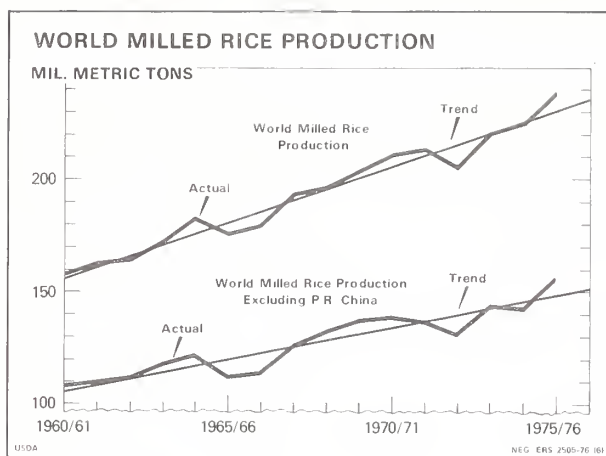


Table 10. -Total grain production, consumption and net exports, 1960/61-1974/75, preliminary 1975/76 and forecast 1976/77

Country/Region	1960/61-62/63		1969/70-71/72		1973/74		1974/75		1975/76		1976/77 1/	
	Prod.	Net	Prod.	Net	Prod.	Net	Prod.	Net	Prod.	Net	Prod.	Net
	Cons.	Exp.	Cons.	Exp.	Cons.	Exp.	Cons.	Exp.	Cons.	Exp.	Cons.	Exp.
----- Million metric tons -----												
Developed Countries	318.9	303.2	20.1	405.5	378.9	31.8	451.5	404.0	57.3	418.2	365.4	55.0
United States	168.3	139.7	32.7	208.8	169.0	39.6	236.0	177.9	73.1	203.0	141.5	64.6
Canada	23.8	15.1	9.7	34.4	22.1	14.8	36.6	23.2	12.8	30.7	20.9	12.7
EC-9	72.7	93.4	-21.5	95.5	112.8	-16.6	107.2	119.3	13.3	110.3	117.8	-11.1
Other West Europe	20.8	24.9	-4.4	29.0	33.9	-4.9	29.2	37.8	-9.3	34.1	40.8	-7.6
South Africa	7.0	4.6	2.2	10.1	7.1	2.6	13.8	8.5	3.8	11.3	8.5	3.4
Japan	15.6	21.0	-5.3	12.7	27.7	-14.5	11.6	30.4	-19.2	11.7	30.1	-18.5
Oceania	10.8	4.4	6.7	15.0	6.4	10.7	17.2	6.9	9.4	17.0	5.7	11.0
Centrally Planned	299.5	303.0	-3.5	416.5	431.6	-6.6	484.2	487.6	-16.1	471.7	494.9	-12.9
East Europe	57.9	64.8	-6.8	74.9	82.8	-7.5	86.0	90.8	-4.8	89.7	96.8	-7.8
USSR	126.4	119.0	7.3	167.4	171.5	4.0	211.8	204.6	-5.6	184.7	195.3	-3.3
PR China	115.2	119.2	-4.0	174.2	177.3	-3.1	186.4	192.2	-5.7	197.2	202.8	-4.6
Developing	235.6	246.5	-10.5	310.7	329.0	-17.2	326.9	355.7	-26.6	321.6	357.6	-35.9
East Asia	22.6	26.7	-4.3	30.7	39.2	-8.4	33.0	43.3	-11.0	34.9	44.4	-9.5
South East Asia	17.3	13.4	4.0	22.9	19.8	3.3	23.8	20.8	2.9	24.2	21.2	2.7
South Asia	92.1	97.4	-6.3	119.5	123.6	-5.4	129.6	137.1	-7.3	118.1	129.7	-9.5
N. Afr./Mid. East	32.3	37.7	-4.3	40.6	49.3	-9.0	37.4	51.6	-13.0	43.1	56.6	-15.2
Central Africa	20.7	21.6	-7.7	24.2	26.1	-1.9	20.1	23.5	-2.4	23.7	25.9	-2.0
East Africa	7.3	7.3	.1	9.6	9.8	-2.2	10.4	10.4	.3	9.7	10.2	-6.6
Middle America	9.6	10.4	-9.9	15.8	17.0	-1.0	17.5	20.6	-3.7	16.5	21.2	-5.0
Venezuela	.6	1.0	-4.4	.8	1.8	-9.9	.7	2.0	1.3	.8	2.1	-1.2
Brazil	14.2	16.1	-1.9	20.4	22.1	-8.8	21.9	23.3	-1.1	23.2	24.0	-1.2
Argentina	13.2	8.2	5.2	19.4	11.3	9.0	24.7	13.2	10.4	20.0	12.4	7.9
Other S. America	5.7	6.7	-1.0	6.8	9.0	-2.1	7.0	9.9	-3.0	7.5	9.8	-2.3
Rest of the World	8.3	8.7	-4.4	8.5	9.1	-6.6	9.1	10.0	-1.1	10.0	10.1	-4.4
Total Above 2/	862.3	861.4	-1,141.2	1,148.6	-1,271.7	1,257.3	-1,221.5	1,228.0	-1,242.4	1,234.7	-1,077.8	1,050.6
World Total	853.1	856.2	-1,120.3	1,133.6	-1,252.0	1,248.7	-1,200.0	1,215.0	-1,220.0	1,217.1	-1,299.0	1,274.8

1/ Numbers in parenthesis include only wheat and coarse grains; world total includes rice estimates

2/ Total Above differs from world totals appearing in the Foreign Agricultural Circular on Grains due to the inclusion of several minor grains in a number of developing countries and the People's Republic of China.



timed and well-distributed rains over most of Asia. Production in South Asia rose 7.8 million tons or some 14 percent while Southeast Asian output rose over 7 percent, reflecting record crops in Thailand and Burma, and some post-war recovery in Indochina. East Asia's rice output rose about 4 percent. Outside Asia, record harvests were also reaped in the United States, Brazil, and Iran as well as a number of smaller producers. As the regional and world totals of tables 12 and 13 indicate, this year's increases in wheat and coarse grain production are larger in absolute terms than the rice increase but somewhat less impressive in terms of percentage increase. Marked increases in wheat and coarse grain area and ultimately production were reported in the major exporting countries and, to a lesser extent, in the People's Republic of China and large areas of developing Asia and Latin America.

1976/77 Outlook

Preliminary 1976/77 production forecasts suggest a record world grain crop of 1,303 million tons—some 83 million tons or 7 percent above the preliminary 1975/76 level. While somewhat better crops in the Soviet Union and the EC are expected to account for much of this increase, this 1976/77 forecast also depends on maintaining or improving on 1975/76 production gains in the rest of the world.

Both the recovery and generalized bumper-crop components of this 1,303-million-ton forecast, however, are dependent on continued average or better weather. Production forecasts made this early in the crop year are based largely on reports of expansion in area in the Northern Hemisphere and on estimates of likely increases in area in the Southern Hemisphere. Indications are area could well increase some 13 million hectares or over 2 percent above the 1975/76 level. Forecasts putting

1976/77 production somewhat above trend are based to an even greater degree on weather indications to date that the yields associated with these larger areas will be 4 to 6 percent above the depressed 1974/75 and 1975/76 levels. The weather reports generating much of this optimism deal mainly with the Northern Hemisphere's wheat and coarse grain crops. Weather and crop development reports through early June indicate that crops in most of Eastern and Southern Europe were in better condition than a year ago due to extraordinarily good fall and winter weather. Dry weather in Northern Europe—northern France in particular—could affect crops seriously if precipitation later in the year should be delayed or below normal. Some decrease in the French crop—possibly up to 6 million tons—appears unavoidable even if precipitation should prove normal through the rest of the growing season.

Prospects are good for above average crops in North Africa and much of the southern and eastern Mediterranean region. Good winter crops are also forecast for the much of the Indian subcontinent and in most of South Asia and Latin America.

Crop prospects for the United States and USSR are somewhat more mixed. The impact of a million-hectare increase in grain area in the United States is expected to be partially offset by poor weather in winter grain areas. U.S. total grain production is expected to be a record 259 million tons, compared with 247 million tons in 1975/76. Poorer weather conditions appear to have been affecting the Soviet grain crop. Winter grain area suffered from extraordinarily unfavorable weather conditions at and following planting. A somewhat larger than usual winterkill is reported, and as much as 25 percent of the winter area was apparently reseeded to lower-yielding spring grains. Much of the important spring grain area from the southern Urals eastward is currently suffering from below normal soil moisture; but above normal precipitation later in the season could well revive these crops. Crop conditions in the European USSR, however, are very good. Total Soviet grain production for the 1976/77 season is estimated at 190 million tons, compared with a 1976/77 target of about 205 million tons.

Also crucial in reaching the forecasted 1,303-million-ton production level are good winter and spring crops in the Southern hemisphere. Winter plantings are largely completed but spring plantings are still several months away.

Any 1976/77 rice production estimate is also extremely tenuous until the effects of the June-September monsoon on the Asian rice crop are known. Early June reports indicate rains in much of Asia have begun somewhat earlier than usual. Pro-

Table 1.--World milled rice production, consumption, and net trade

Country or region	1960/61-62/63		1969/70-71/72		1972/73		1973/74		1974/75		1975/76	
	Prod.	Cons.	Prod.	Cons.	Prod.	Cons.	Prod.	Cons.	Prod.	Cons.	Prod.	Cons.
	Million metric tons											
Developed.....	14.5	14.1	7	15.6	14.1	2.3	14.8	14.7	1.7	15.6	14.0	1.6
United States.....	1.9	.9	1.0	2.9	1.3	1.8	2.8	1.3	1.6	3.0	1.3	1.7
Canada.....	--	--	--	--	--	--	--	--	--	--	--	--
EC-9.....	5	.8	-2	7	7	-1	6	8	-3	8	9	-2
Other Western Europe.....	4	.4	--	4	.5	--	4	5	-1	4	5	-1
South Africa.....	--	--	--	--	--	1	--	1	-1	--	1	-1
Japan.....	11.6	12.0	-2	11.4	11.5	.5	10.8	11.8	.5	11.1	11.0	.2
Oceania.....	1	--	1	2	1	1	2	1	2	3	1	2
Centrally Planned.....	52.1	51.8	1	72.8	72.5	.4	75.6	73.7	1.7	78.0	76.4	1.8
Eastern Europe.....	1	.3	-3	1	.4	-2	1	.2	-1	1	.3	-1
U.S.S.R.....	2	.3	-2	.8	1.1	-3	1.1	1.1	-2	1.1	1.2	--
PR China.....	51.8	51.2	.6	71.9	71.0	.9	74.4	72.4	2.0	76.8	74.9	1.9
Developing.....	89.9	89.9	+2	114.7	116.8	-1.7	108.6	115.4	-2.7	120.5	123.0	-3.3
East Asia.....	16.8	18.8	-2.1	23.6	26.8	-2.8	23.3	27.7	-3.2	25.7	29.7	-3.5
Southeast Asia.....	16.4	13.0	3.4	20.5	18.8	1.9	18.7	18.5	.6	21.0	19.9	.9
South Asia.....	47.3	48.3	-1.0	58.2	58.6	-5	53.9	55.3	.7	61.0	59.6	.2
North Africa/Middle East.....	1.7	1.8	--	3.0	2.6	.2	2.7	2.8	-2	2.5	2.9	-5
Central Africa.....	2.1	2.6	-3	2.7	3.4	-7	2.8	3.6	-7	2.9	3.7	-7
East Africa.....	1	.2	--	.2	.2	--	.2	.2	--	.2	.2	--
Middle America.....	.5	.5	--	.7	.8	-1	.7	.9	-1	.8	1.0	-2
Venezuela.....	1	1	--	1	1	--	1	1	--	.2	.2	1
Brazil.....	3.8	3.7	1	4.1	4.0	1	4.5	4.6	1	4.4	4.4	1
Argentina.....	1	--	--	.2	.2	1	.2	.2	--	.2	.1	1
Other South America.....	1.0	.9	1	1.4	1.3	1	1.5	1.5	1	1.6	1.3	.2
Rest of world.....	4.2	4.4	-2	4.7	4.9	-2	5.4	5.5	-1	5.2	5.1	-2
World total.....	160.7	160.2	--	207.8	208.3	--	204.4	209.3	--	219.3	218.5	--
World total minus PRC ..	108.9	109.1		136.4	133.1		130.1	137.0		142.7	143.5	
										141.7	144.3	
												155.4
												152.1

Table 12 --Wheat production, consumption and net exports, 1960/61 - 1974/75, preliminary 1975/76 and forecast 1976/77

Country/Region	1960/61-62/63 average			1969/70-71/72 average			1973/74			1974/75			1975/76			1976/77		
	Prod.	Cons.	N. Exp.	Prod.	Cons.	N. Exp.	Prod.	Cons.	N. Exp.	Prod.	Cons.	N. Exp.	Prod.	Cons.	N. Exp.	Prod.	Cons.	N. Exp.
	----- Million metric tons -----																	
Developed Countries	94.05	74.20	21.21	111.82	87.62	28.38	127.63	85.75	43.25	132.27	85.28	44.52	137.98	84.57	49.82	136.25	87.02	43.14
United States	33.38	16.31	18.14	40.03	21.87	17.47	46.40	20.40	30.97	48.88	18.72	27.99	58.08	19.87	32.33	53.60	20.96	28.30
Canada	12.41	3.97	9.46	13.90	4.67	11.67	16.16	4.60	11.41	13.30	4.81	10.74	17.08	4.85	12.00	12.40	4.87	11.00
EC-9	29.62	35.85	-7.19	36.64	40.67	-3.52	41.39	39.99	-0.07	45.39	40.32	2.57	38.10	38.18	2.11	40.30	39.50	.80
Other Western Europe	8.46	10.54	-2.07	9.89	10.76	-0.78	9.37	9.45	-0.08	11.31	10.92	1.0	10.50	10.81	.01	11.00	10.90	.11
South Africa	.78	.91	-.13	1.46	1.34	-.06	1.87	1.56	.42	1.60	1.64	.04	1.78	1.72	.04	1.80	1.60	.20
Japan	1.65	4.25	-2.68	.56	5.25	-4.70	.20	5.59	-5.32	.23	5.57	-5.38	.24	5.71	-5.66	.25	5.82	-5.57
Oceania	7.75	2.37	5.68	9.34	3.06	8.30	12.24	4.16	6.71	11.96	3.30	8.46	12.20	3.43	8.99	10.90	3.37	8.30
Centrally Planned	103.59	108.20	-4.29	118.97	159.30	-3.67	175.64	174.26	-8.69	155.04	169.07	-7.21	133.93	156.81	-16.54	146.20	156.20	-16.00
Eastern Europe	17.23	23.01	-5.46	26.44	30.98	-4.55	31.46	34.99	-3.60	34.19	36.02	-3.01	29.13	34.36	-3.99	32.50	35.50	-4.00
USSR	67.19	62.18	5.01	92.80	94.67	4.80	109.78	99.23	.55	83.85	90.35	1.50	66.10	81.30	-10.10	75.00	79.00	-9.00
PRChina	19.17	23.01	-3.84	29.73	33.65	-3.92	34.40	40.04	-5.64	37.00	42.70	-5.70	38.70	41.15	-2.45	38.70	41.70	-3.00
Developing	43.38	57.62	-14.83	64.11	85.18	-22.11	68.54	99.27	-28.94	68.89	98.75	-31.38	76.54	102.83	-30.36	86.69	108.76	-24.68
Middle America	1.38	1.89	-.55	2.06	2.91	-.81	2.04	3.44	-1.48	2.43	3.61	-1.49	2.88	3.86	-.78	3.05	4.02	-.80
Venezuela	.66	.33	-.33	1.78	.71	-.71	1.93	.60	-.60	2.82	4.46	-2.03	1.60	5.10	-3.63	4.30	5.47	-1.20
Brazil	5.21	3.57	1.87	5.87	4.39	1.64	6.56	4.22	1.58	5.97	4.33	1.78	8.57	4.45	4.00	10.00	4.50	4.20
Argentina	1.88	2.95	-1.09	1.94	3.79	-1.83	1.38	4.10	-2.66	1.78	4.04	-2.16	1.58	4.01	-2.52	1.79	4.19	-2.37
Other South America	15.65	20.33	-4.91	20.46	28.20	-7.92	19.57	30.73	-9.98	22.20	32.42	-11.55	25.08	33.55	-9.74	27.90	36.70	-9.22
North Africa/Middle East	.67	1.10	-.43	.86	2.01	-1.15	.55	1.84	-1.29	.68	2.04	-1.29	.90	2.29	-1.39	.90	2.36	-1.45
Central Africa	.12	.25	-.16	.31	.57	-.24	.28	.66	-.39	.26	.67	-.47	.31	.73	-.43	.32	.73	-.39
East Africa	17.49	22.11	-5.11	30.45	34.05	-4.75	36.05	44.77	-6.69	32.57	41.73	-8.88	35.44	43.40	-10.54	38.24	44.90	-7.77
South Asia	.01	.20	-.19	.03	.42	-.39	.02	.27	-.26	.04	.34	-.28	.04	.43	-.40	.04	.45	-.42
South East Asia	.31	2.07	-1.77	.35	4.36	-4.13	.16	4.33	-4.66	.14	4.50	-4.47	.14	4.38	-4.30	.15	4.76	-4.55
Rest of World	.21	.83	-.11	.32	2.16	-1.84	.37	2.49	-2.12	.37	2.00	-1.65	.37	2.00	-1.65	.37	2.00	-1.65
Total Above	241.23	240.85	--	325.22	334.26	--	372.18	361.77	--	356.57	355.10	--	348.82	346.21	--	369.51	353.98	--
World Total	241.20	242.30	--	325.00	335.20	--	372.30	367.50	--	356.60	359.10	--	349.60	347.50	--	370.00	357.60	--

1/ World totals taken from the Foreign Agricultural Circular on Grains released June 25, 1976.

(Note: World Totals subsequently adjusted to reflect deterioration in the Western European Grain Situation through early July)

Table 13--Major and minor coarse grain production, consumption and net exports, 1960/61-1974/75, preliminary 1976/76 and forecast 1976/77

Country/Region	1960/61-67/68			1969/70-71/72			1973/74			1974/75			1975/76			1976/77		
	Prod.	Cons.	N Exp.	Prod.	Cons.	N Exp.	Prod.	Cons.	N Exp.	Prod.	Cons.	N Exp.	Prod.	Cons.	N Exp.	Prod.	Cons.	N Exp.
	Million metric tons																	
Developed Countries.	210.31	214.86	-1.70	278.05	277.20	1.08	308.31	304.06	12.34	269.59	266.16	8.23	300.65	282.24	20.19	313.13	296.83	3.77
United States.	133.00	122.52	13.59	165.83	145.79	20.35	186.59	156.01	40.40	150.46	121.30	35.06	184.08	134.94	47.14	199.51	148.37	37.51
Canada.	11.36	11.13	.27	20.50	17.41	3.25	20.41	18.54	1.85	17.44	16.02	2.10	19.78	16.44	3.50	20.00	16.76	3.55
EC-9.	42.58	56.72	-14.15	58.19	71.41	-12.99	65.00	78.45	-13.00	64.20	76.83	-13.85	60.00	76.98	-15.08	56.70	77.00	-21.30
Other West Europe.	11.91	13.99	-2.28	18.69	22.60	-4.11	19.40	27.83	-8.31	22.41	29.52	-7.73	22.00	30.57	-7.46	21.08	30.67	-7.78
South Africa.	6.20	3.74	2.38	8.68	5.73	2.56	11.92	6.83	3.38	9.70	6.76	5.43	8.08	6.98	2.04	9.67	6.87	2.99
Japan.	2.34	4.75	-2.42	.74	11.06	-10.27	.29	13.78	-14.11	.29	13.39	-13.12	.27	13.75	-13.55	.28	14.37	-14.16
Oceania.	2.92	2.01	.91	5.42	3.20	2.29	4.70	2.62	2.45	5.09	2.34	2.34	6.44	2.58	3.60	5.89	2.79	2.96
Centrally Planned.	143.78	143.01	.73	194.95	199.77	-3.36	230.61	236.91	-9.25	233.78	242.95	-6.97	206.01	228.08	-19.93	243.90	251.89	-8.15
East Europe.	40.55	41.52	-1.01	48.59	51.43	-2.72	54.41	55.52	-1.06	55.44	60.45	-4.81	59.40	62.30	-3.75	60.70	62.74	-2.20
USSR.	58.97	56.51	2.46	73.81	75.70	-1.55	100.95	104.14	-6.19	99.74	103.47	-1.73	65.71	84.80	-16.10	102.00	108.00	-6.00
PRChins.	44.26	44.98	-7.72	72.55	72.64	-0.09	75.25	77.25	-2.00	78.60	79.03	-.43	80.90	80.98	-.08	81.20	81.15	.05
Developing.	102.31	99.00	4.02	131.92	126.97	6.41	137.79	133.26	3.12	134.03	135.83	-1.40	143.10	142.72	-.75	148.57	145.15	3.72
East Asia.	5.47	5.84	-4.6	6.75	8.06	-1.51	7.18	9.26	-2.86	7.73	10.34	-2.82	8.51	10.73	-2.82	8.37	11.11	-2.83
Southeast Asia.	.90	.18	.75	2.36	.58	1.79	2.80	.65	2.30	3.01	.78	2.15	3.56	.96	2.60	3.87	1.07	2.70
South Asia.	27.29	27.03	.26	30.88	30.99	-.10	32.51	32.70	-.19	28.86	29.60	-.74	32.70	32.73	-.03	32.39	32.75	-.32
North Afr/Mid East.	14.96	15.54	-.58	17.15	18.54	-1.23	15.32	17.92	-2.49	18.42	20.76	-2.55	18.44	21.33	-2.96	19.70	22.27	-2.53
Central Africa.	17.90	17.91	-.01	20.61	20.69	-.08	17.54	17.94	-.40	19.94	20.04	-.10	20.50	20.73	-.23	20.77	20.99	-.22
East Africa.	7.11	6.88	.23	9.12	9.05	.08	9.87	9.51	.72	9.26	9.33	-.15	9.32	9.38	-.06	9.54	9.54	-.03
Middle America.	7.76	7.98	-.23	13.02	13.42	-.11	14.62	16.12	-2.04	13.19	16.65	-3.33	15.06	17.60	-2.85	15.34	18.30	-2.65
Venezuela.	.47	.52	-.05	.70	.94	-.20	.46	1.18	-1.18	.59	1.25	-.67	.70	1.35	-.66	.75	1.42	-.67
Brazil.	9.75	9.58	.18	14.55	14.32	.91	15.57	14.58	1.29	15.56	14.92	.91	18.22	15.78	2.30	18.72	15.73	3.19
Argentina.	7.93	4.68	3.30	13.32	6.70	7.25	17.94	8.93	8.74	13.79	7.97	6.04	12.10	7.66	4.90	14.94	7.23	7.70
Other S. America.	2.77	2.86	-.06	3.46	3.86	-.39	3.98	4.47	-.55	3.68	4.19	-.48	3.99	4.47	-.51	4.18	4.74	-.62
Rest of World.	2.06	2.17	-.11	1.92	2.10	-.18	1.96	2.43	-.46	2.32	2.42	-.09	2.72	2.72	-.01	2.72	2.72	-.01
Total Above 1/	458.46	459.04	---	606.84	606.04	---	678.67	676.66	---	639.72	647.36	---	652.48	655.76	---	708.32	696.59	---
World Total 2/	451.20	453.70	---	587.50	589.50	---	660.40	662.70	---	620.10	626.70	---	631.90	635.30	---	688.00	675.20	---

1/ Total above differs from world totals appearing in the Foreign Agricultural Circular on Grains due to the inclusion of several minor grains in a number of developing countries and the People's Republic of China.

2/ World Totals taken from the Foreign Agricultural Circular on Grains released June 25, 1976. (Note: World Totals subsequently adjusted to reflect deterioration in the Western European Grain Situation through early July)

visional estimates of 1976/77 rice production suggest a marginal increase of about one percent to 241 million tons.

Consumption

1975/76 Situation

Despite the geographic concentration of 1975/76's production shortfalls, the willingness of the Soviet Union and the EC-9 to import large amounts of grain spread consumption adjustments throughout the commercial world. Record food grain crops in the less developed countries, however, and highly price inelastic demand for food in the developed and centrally planned countries limited most of these consumption adjustments to changes in feed use.

Total 1975/76 consumption in the developed countries is estimated to be somewhat above the 1974/75 level on a per capita basis. Increases in usage in a few exporting countries, however, accounted for all of this growth. Usage in the developed exporting countries was reported at 675 kilograms per capita, compared with 650 kilograms in 1974/75, but 800 kilograms in 1973/74. Record world import demand kept the exporters' internal prices high and slowed recovery despite markedly larger supply availabilities. Purchases of over 15 million tons and stock drawdowns of 4 million tons were necessary to keep the EC's per capita consumption levels from slipping to a 10-year low. Somewhat smaller drops in per capita consumption were also reported for the other developed importing countries.

Consumption levels for the centrally planned countries as a whole were affected by sharp reductions in Soviet usage. Purchases of over 26 million tons and stock drawdowns of roughly 8 million tons allowed the Soviets to keep consumption at 650 kilograms per capita, compared with 775 kilograms in 1974/75 despite a drop in per capita production of roughly twice this magnitude. Little change was reported in Eastern European or Chinese per capita consumption levels.

For the developing countries as a whole, 1975/76 per capita consumption approached the highs of 1973/74 but generally fell short of their 1969/70-71/72 averages. Generally record grain crops and good non-grain food crops allowed many of the marginally self-sufficient importing countries of East Asia and Latin America to reduce imports by as much as 20 to 30 percent without lowering consumption levels. A number of less developed exporters took advantage of an unexpected continuation of strong world import demand and high prices to boost exports from their record 1975/76 availabilities—even at the expense of domestic consumption.

1975/76 Feeduse Adjustments

Preliminary consumption data indicate that grain fed to livestock in 1975/76 was only marginally above the tonnage reported for 1974/75 and about 90 percent of the level reported for 1973/74 (table 14). Last year's slowed recovery in grain feeding at the world level, however, was due solely to reductions in the Soviet Union which offset the effects of nascent recovery or continued growth in feeding in the rest of the world. Feed usage outside the Soviet Union is reported to have reached 360 million tons or about 95 percent of the record reported in 1973/74. Due also to the Soviet's concentration of most of their feeding reductions in wheat, world wheat feeding continued to account for less than 12 percent of the grain total as compared with a more normal 18-20 percent before the 1972/73 shortfall.

As the table below indicates, livestock-feed price ratios in the major market economies improved markedly during the last quarters of 1974/75 and through most of 1975/76. Somewhat higher livestock prices and efforts by a number of governments to maintain or improve feeding incentives through use of direct or indirect subsidies were responsible for these improved price relationships; grain prices overall continued at or near the high levels of the last three years. Recovery in feeding was particularly marked in the major exporting countries—the United States and Canada in particular—but total feeding in these countries still lagged at about 80 percent of their 1972/73-1973/74 levels. Appreciably smaller increases were reported in Western Europe where poor crops reduced grain availability and lowered the grain component of many livestock feed rations. Marked increases in feeding were reported, however, in many of the developing countries of Latin American and North Africa/Middle East. While the feeding totals reported for the developing countries as a whole are still less than 7 percent of the world total, grain fed to livestock has grown to over 33 million tons or slightly more than the developing countries' net grain imports.

1976/77 Situation

With 1976/77 supply availabilities forecast at a record 1,303 million tons, consumption in the upcoming year is likely to increase over 50 million tons or almost 5 percent. Stock rebuilding is expected to account for the remaining 30 million tons of the forecast production increase. Distribution of production gains throughout the developing countries as reflected in tables 1, 3, 4, and 5 is likely to result in record food consumption, particularly of wheat and coarse grain. The largest increases in consumption, however, are expected to

Table 14. Grain fed to livestock, historic 1960/61-62/63, 1969/70-71/72, 1972/73, 1973/74, 1974/75, preliminary 1975/76, and forecast 1976/77 1/

	1960/61- 1962/63	1969/70- 1971/72	1972/73	1973/74	1974/75	Preliminary 1975/76	Forecast 1976/77
	1,000 metric tons						
Developed Countries.....	193,375	257,225	278,575	277,025	238,400	251,525	266,550
United States.....	110,850	136,500	148,475	143,175	106,375	120,200	134,000
Canada.....	11,250	17,225	18,050	18,275	15,800	16,425	17,000
Enlarged European Community.....	52,700	68,850	72,175	72,350	70,875	70,000	70,000
Other Western Europe.....	12,100	20,700	23,125	24,700	26,775	27,375	27,325
Japan.....	3,500	9,275	10,425	12,125	13,100	11,775	12,000
Oceania.....	1,875	2,525	3,975	3,625	2,725	2,950	3,225
South Africa.....	1,100	2,150	2,350	2,775	2,750	2,800	3,000
Centrally Planned Countries.....	85,600	149,525	169,400	174,775	175,050	160,175	181,450
Eastern Europe 2/.....	32,100	47,575	59,175	55,900	53,800	60,275	62,100
Soviet Union.....	45,600	89,000	98,000	105,000	107,000	85,000	105,000
People's Republic of China.....	7,900	12,950	12,225	13,875	14,250	14,900	14,350
Less Developed Countries.....	16,500	26,325	28,625	30,000	30,475	33,350	33,450
Middle America.....	825	2,950	3,075	4,325	4,650	5,025	5,275
Venezuela.....	100	250	425	525	475	525	600
Brazil.....	5,150	7,475	7,225	8,200	7,925	8,825	9,000
Argentina.....	3,625	5,225	5,825	5,700	5,275	5,400	5,325
Other South America.....	1,175	1,700	1,800	2,050	1,975	2,100	2,075
North Africa/Middle East.....	4,450	5,900	6,075	5,250	5,675	6,800	6,350
Central Africa.....	50	100	25	50	50	50	50
East Africa.....	25	25	50	50	50	75	75
East Asia.....	675	2,075	3,300	2,925	3,375	3,350	3,425
Southeast Asia.....	--	125	150	175	275	400	425
South Asia.....	425	500	675	750	750	800	850
Rest of world.....	--	--	--	--	--	--	--
World total.....	295,475	433,075	476,600	481,800	443,925	445,050	481,450

1/ Includes wheat and major coarse grains; also includes minor coarse grains in Canada, European Community and Other West Europe; excludes milled rice used in Japan for feed 1968/69-72/73.

2/ Weaknesses in Eastern European stock and trade data can overstate year-to-year fluctuations in feeding.

Indices of Livestock: Feed price ratios, 1970/71 through 1975/76

	U.S.	Canada	Japan	West Germany	United Kingdom	Italy	Spain	Brazil	Mexico
<i>1970/71=100</i>									
1970/71	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1971/72	1.11	.96	1.15	1.12	1.27	1.08	1.14	.76	1.08
1972/73	1.10	1.01	1.23	1.10	1.26	1.08	1.22	.82	1.12
I	1.19	1.06	1.20	1.11	1.26	1.10	1.26	.79	1.06
II	1.13	1.00	1.28	1.13	1.28	1.15	1.29	.73	1.04
III	1.09	1.02	1.26	1.08	1.18	1.06	1.23	.89	1.17
IV	1.01	.97	1.20	1.10	1.32	.99	1.10	.89	1.22
1973/74 .....	.94	.79	.97	1.06	.86	.93	1.14	.91	.96
I	1.02	.87	1.00	1.13	.93	.95	1.16	.81	.95
II .....	.96	.84	1.00	1.15	.93	.96	1.19	1.04	.90
III .....	.92	.72	.96	1.01	.78	.89	1.10	.83	1.01
IV .....	.83	.72	.92	.94	.81	.92	1.12	.94	1.01
1974/75 .....	.75	.70	1.01	.99	.89	.95	1.11	.89	1.04
I .....	.75	.73	1.02	1.02	.76	.93	1.11	1.01	1.03
II .....	.69	.70	1.01	.98	.76	.89	1.08	.91	1.06
III .....	.74	.69	.97	.97	.94	.97	1.10	.80	1.04
IV .....	.85	.72	1.06	1.01	1.15	.99	1.13	.85	1.05
1975/76									
I .....	.91	.82	1.15	1.08	.93	.97	1.17	.73	N.A.
II .....	.96	N.A.	1.17	1.09	1.02	1.00	1.23	.78	N.A.
III .....	.93		1.15						

¹ Index of livestock prices received divided by index of feed prices paid.

be concentrated in the developed countries—particularly those with large feed-livestock sectors.

1976/77 Feed Use

Grain feeding in the upcoming year is likely to strengthen due to record 1976/77 grain availabilities as well as improving input final and to generally product price ratios in the major feeding countries. Improved general economic conditions and stronger demand for meat and dairy products in the market economies could well boost demand for livestock products and strengthen feeding even further than provided for in table 6. This year's limited availability of forage and other non-grain feedstuffs in large areas of the European Community could also boost grain usage. Substantial decreases in grain prices, however, would be necessary to return feeding to the record highs of 1972/73 and 1973/74. A marked increase in wheat feeding both in absolute terms as well as a share of total grain fed is also expected due to narrowing margin between wheat and corn prices and record supplies of wheat available for export in a year of slackening world import demand. The largest increases of all, however, are expected in the Soviet Union where turnarounds are reported in poultry, hog and cattle numbers after 7 consecutive months of decline.

Ending Stocks, Trade and Prices

1975/76 Situation

World 1975/76 ending stocks of grain are expected to be only marginally higher than in 1974/75. Marked increases in rice stocks and small

World end stocks of grain

	Wheat	Rice	Coarse Grains	Total Grains
1960/61-62/63				
—Million metric tons ..	73.8	2.3 ¹	89.6	165.7
—Percent of consumption	30.5%	1.4%	19.7%	19.3%
1969/70-71/72				
—Million metric tons ..	84.1	17.5	71.9	173.5
—Percent of consumption	25.1%	8.4%	12.2%	15.3%
1973/74				
—Million metric tons ..	64.0	12.5	55.1	131.6
—Percent of consumption	17.4%	5.8%	8.3%	10.6%
1974/75				
—Million metric tons ..	61.5	12.2	48.5	122.2
—Percent of consumption	17.1%	5.5%	7.7%	10.1%
1975/76				
—Million metric tons ..	63.6	15.9	45.1	124.6
—Percent of consumption	18.3%	6.8%	7.1%	10.2%
1976/77				
—Million metric tons ..	77.9		60.8	
—Percent of consumption	21.8%		9.0%	

¹ Partial data only.

increases in wheat stocks are expected to be only partially offset by the fourth consecutive year of coarse grain stock drawdown.

Hefty increases in rice production in virtually all the developing countries have made a generalized rebuilding of stocks possible. While 1975/76 ending stocks will still be well below individual government targets and below record 1971/72 levels, stocks will be better distributed with about 12 percent of the total concentrated in Japan, compared with one third from 1969/70 through 1971/72 (table 15). Wheat stock increases are expected to be smaller and more heavily concentrated in a few major surplus producers—particularly the United States. Wheat stocks outside the United States are actually estimated to have fallen off over 8 million tons with the largest drawdowns reported in the Soviet Union and the EC. World coarse grain stocks are estimated to have fallen off some 3 million tons in 1975/76; drawdowns in these same two regions were large enough to pull the world total, excluding the United States, down over 4 million tons. Consequently, world grain stocks are likely to be concentrated in the major exporting countries to a greater extent than over the last three years, but not to the extent of the 1960's and early 1970's. The bulk of the exporters' stocks are also expected to be held by farmers rather than by central governments or marketing boards.

World trade in grains reported on an export basis is expected to hit an all-time high of 166 million tons in 1975/76. Large purchases by the Soviet Union, the EC, and a number of traditional importers kept world exports well above the 110-120 million ton level of the late 1960's and early 1970's for the fourth consecutive year. This year's trade increases have been most marked in coarse grains purchased for feeding. Nevertheless, substantial increases were also reported in wheat shipments. World rice import demand, however, is

slackening despite the largest export availabilities since 1971/72. Rice trade accounts for less than 5 percent of the world grain trade total.

Bumper crops in the major exporting countries allowed the United States, Canada, Australia, Argentina, Thailand, and South Africa to export over 125 million tons, some 75 percent of this combined world wheat, rice and coarse grain total.

International price movements through 1975/76 reflected much of this year's uncertainty as to the final world supply-demand balance. U.S. Gulf Ports prices for Winter Wheat and Yellow Corn moved down more sharply than seasonal factors would have warranted in spring and early summer when record crops were projected for the United States and key foreign producers. Subsequent large Soviet purchases combined with heavy contracting by conventional importers pushed prices back up in mid and late summer. Dampened sales in the fall and a slower than expected feeding recovery in the United States exerted some downward pressure on prices in the last quarter of calendar 1975. Reports through early June indicate 1976 prices have strengthened somewhat as feeding in the United States and coarse grain exports picked up.

Rice export prices over the same period tumbled. Thailand has been forced to reduce its rice premium—export tax—twice since June 1975 and has attempted to ease other general export costs to improve or maintain its competitive export position. The price of Thai 5-percent broens white rice, f.o.b. Bangkok, had fallen to \$246 by April 1976, compared with over \$600 a ton in April 1975.

1976/77 Outlook

World carryover stocks at the end of the upcoming 1976/77 season could be up as much as a fourth above carryin levels. A record world grain crop distributed as outlined in tables 10 to 13 would also likely dampen world import demand and leave the major exporting countries—particularly the United States—with much of their bumper crop for allocation to either expanded domestic use or to stock accumulation. The size of the production increases currently forecasted for 1976/77 are also large enough to allow many of the developing countries to rebuild stocks. Trade levels would likely drop as much as 10 percent to about 150-155 million tons under these circumstances; international prices could also be expected to fall off—possibly to as much as 15 to 20 percent of their current levels. (*Patrick M. O'Brien; rice, Robert D. Barry*)

World grain trade reported on an export basis

	Total Grains	Wheat	Milled Rice	Coarse Grains
<i>Million metric tons</i>				
1960/61-62/63	83.2	45.7	6.7	30.8
1969/70-71/72	116.5	56.5	7.9	52.1
1973/74	159.3	70.7	7.7	80.9
1974/75	145.9	68.7	7.8	69.4
1975/76	165.6	73.5	7.6	84.5
1976/77	152.3	71.0	7.3	74.0

Table 15. Rice stocks in selected countries, 1969/70-71/72 average and 1972/73-1976/77.

Country	Year	1969/70- 1971/72 Average	1972/73	1973/74	1974/75	1975/76	1976/77
Australia.....	April	76	59	19	6	44	28
Bangladesh.....	July	<u>1/</u>	69	132	174	157	400
India.....	November	5,567	5,650	4,100	5,000	3,600	5,500
Indonesia.....	April	<u>2/</u> 1,146	1,229	604	1,754	1,646	1,000
Japan.....	November	6,162	3,288	1,730	1,521	1,580	2,180
West Malaysia.....	January	220	254	102	102	122	152
Pakistan.....	July	<u>2/</u> 457	608	294	387	490	323
Philippines.....	July	506	712	241	527	709	1,164
South Korea.....	November	<u>3/</u> 408	613	642	160	804	800
Sri Lanka (Ceylon).....	January	<u>3/</u> 150	176	106	70	75	75
Taiwan.....	January	<u>3/</u> 406	266	196	118	143	210
Thailand.....	January	1,407	1,232	1,178	719	931	994
Subtotal Asia....		16,505	14,156	9,344	10,538	10,301	12,826
Argentina.....	April	79	58	55	55	74	92
Brazil.....	April	684	34	423	220	174	415
Italy.....	August	52	20	48	203	35	70
United States.....	August	560	372	167	255	232	1,116
Subtotal Other Producers.....		1,375	484	693	733	515	1,693
Total.....		17,880	14,640	10,037	11,271	10,816	14,519

Note: Data are based on an aggregate of differing local marketing years and should not be construed as representing world stock levels at a fixed point in time.

1/ In Pakistan

2/ 1971/72

3/ 1970/71-1971/72

Source: USDA-FAS

WORLD MEAT BARRIERS CONTINUE

The year 1976 promises to be another period—the third year in a row—of restricted world trade in meat, principally beef, but some expansion over 1975 is in prospect. The trade outlook hinges importantly on whether beef production falters in the major importing regions, such as the European Community and Japan, and induces a corresponding relaxation in import restrictions.

Contrary trends of the past 2 years continue to foster uncertainty in the world meat economy. Above-trend production is occurring in Argentina and Uruguay, and Australia is producing record quantities of beef, but severe import restrictions remain in force in importing countries of Europe and Japan.

Herd reductions of about 7 and 8 percent during 1975 in the United Kingdom and Ireland, together with essentially constant size herds elsewhere in the European Community and record high cattle prices, are the basis for the expectation that some herd rebuilding will occur in 1976 accompanied by a lowering of EC beef output 200,000 to 300,000 tons below last year's 6.6-million-ton production (figure 00). Pork production for 1976 is expected at last year's level, along with a 3-percent rise in poultry meat. Beef stocks are thought to have been about 400,000 tons, bone-in basis, at the beginning of 1976, little changed from the previous year.

With a small cattle herd and small per capita consumption, Japan is nevertheless important in world meat trade, and beef imports are expected to approach 140,000 tons in 1976, carcass weight, and to constitute 40 percent of local beef consumption. Consumption continues to grow by about 5 percent a year. But beef production is expected to drop in 1976, possibly by as much as 20 percent, as a result of heavy slaughter of dairy calves during 1975 and 1976 and the urgent herd-rebuilding program which has been instituted by the Japanese Government. Growing pork consumption combined last year with a drop in pork production opened a 130,000-ton import gap which is expected to continue this year at about the same level, while production, nevertheless, begins to recover.

During August 1975 both Canada and the United States removed quotas on the importation of live animals and pork. Quotas and counter-quotas remained in force on trade in beef and veal throughout 1975. Canada may export in excess of 30,000 tons to the United States.

In the major beef-exporting countries, cattle numbers and slaughter both continue their strong rise. In Australia, beef output is expected to be up 6

percent from 1975 and over 40 percent higher than 1974. Numbers are growing despite record slaughter. But continued growth of output is threatened by large slaughter of cows and calves, rising death losses, and a general lapse of management practice. Australia probably exported over 1 million tons of beef during 1975, in spite of difficulties, mainly to the United States, but importantly to Canada, Japan, and the EC as well.

Production and exports are expected to be up a little in New Zealand in 1976. In Mexico and Central America, cattle numbers and beef production are rising, and the rise is expected to continue at a pace sufficient to allow for rising local consumption and for increased exportation.

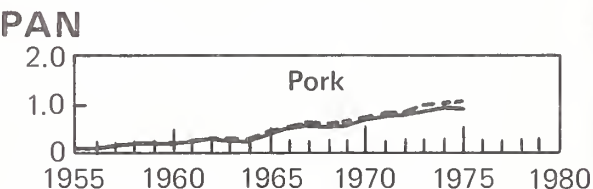
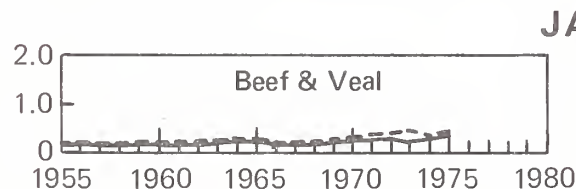
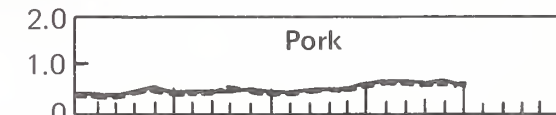
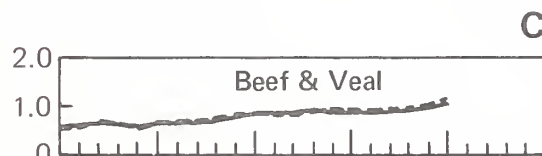
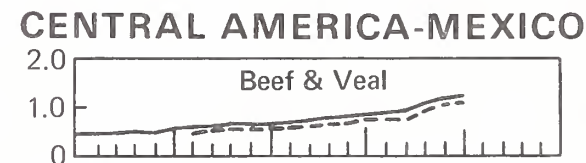
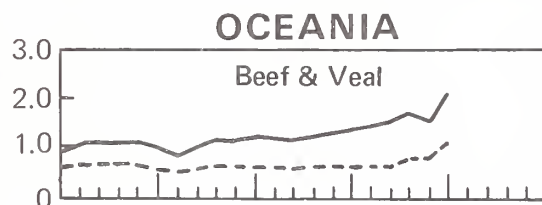
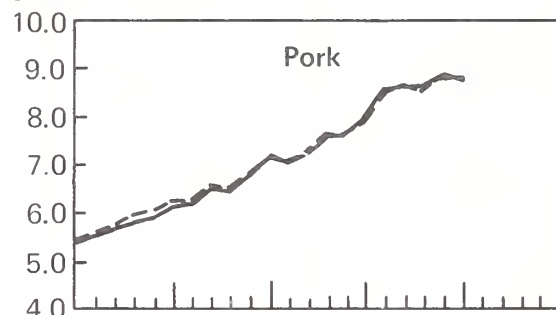
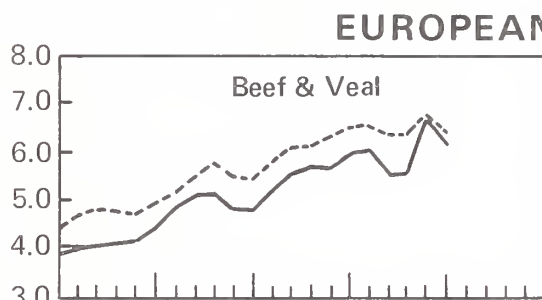
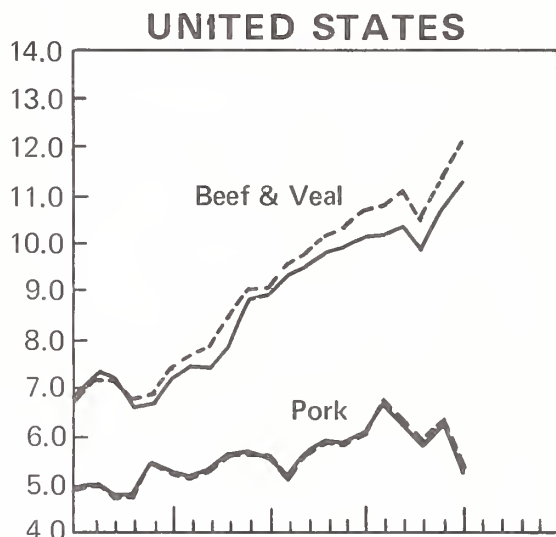
Heavy slaughter of cattle in Argentina in 1975 went into sharply higher domestic consumption of beef forced by the drop in exports to the EC. Plagued with high rates of inflation (over 300 percent per annum at this writing) and highly changeable official agricultural policies, but with a very favorable set of growing conditions, livestock production faltered in recent years and then surged in 1975. A new government administration following the revolt against President Isabel Peron shows signs of laying out a steadier policy course with higher remuneration to farmers and livestock men which should result in gains in agricultural production and meat exports in the future.

In the United States, following 2 years of strongly rising output, a 5-percent rise is expected for 1976 in meat production: beef 3 to 4 percent; pork about 3; and nearly 10 percent for poultry. Seasonally low beef production in the second and third quarters is still expected to be a record high for these quarters. Larger marketings of fed cattle in the slaughter mix are bringing a return to higher slaughter weights. Relative strength in feeder cattle markets seems to be alleviating pressure to cull cow herds heavily. Meat imports by the United States are expected to rise by the same percentage as U.S. production, in accordance with legal provisions, reaching 840,000 tons on a carcass weight basis in 1976.

Attention is again focused this year on the Soviet Union as an area of potential uncertainty in world meat. Heavy slaughter of pigs and poultry in 1975 which continued into 1976 may indicate some distress selling of livestock and a program to conserve the cattle herd. It seems likely that the Soviet Union may soon be shopping for meat supplies from the major exporting countries. (*Donald W. Regier*)

PRODUCTION AND CONSUMPTION OF BEEF AND PORK

(Million Metric Tons)



— Production ---- Consumption

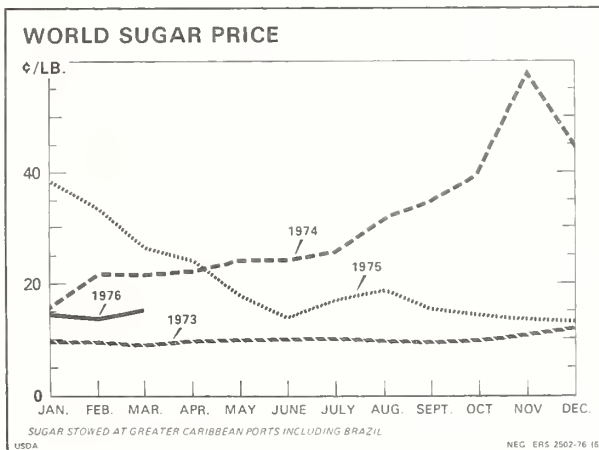
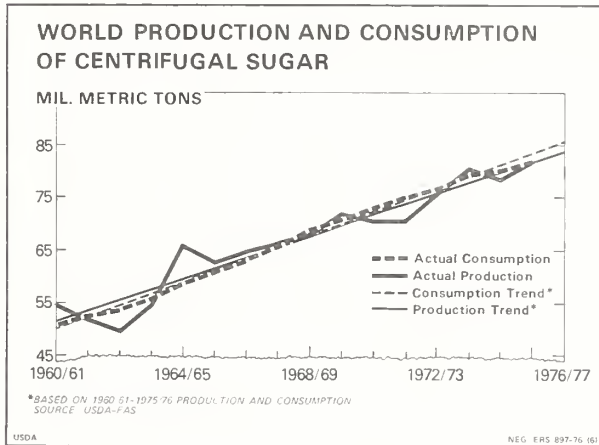
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USDA

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SUGAR PRODUCTION AND CONSUMPTION IN BALANCE

World sugar production in 1975/76 (May-April) is now estimated at 81.3 million tons (raw value), about 3.5 percent above the poor 1974/75 crop (table 16). Consumption is estimated at 80.8 million tons and carryover stocks are still scant, so 1976/77 supplies and prices will continue to be highly dependent on production prospects. Price has been very stable since October 1975.



Production

World sugar acreage was boosted 7 percent in 1975, but output rose only half this rate. World beet acreage was up over 11 percent and output less than 8 percent; cane acreage was almost 3 percent above 1974 but production rose less than one percent. Sugar output in Brazil is down 12 percent to 6.3 million tons due to drought, frost, and flood damage. Production of beet sugar in the USSR remained at the previous season's low of 7.7 mil-

lion tons because of drought. Other weather damage occurred in India, Australia, Colombia, Argentina, and in the U.K. Record U.S. output was almost a fifth above 1974/75, but planting intentions suggest a reduction in 1976/77.

World sugar production and 1960/61-75/76 linear trend

Year	Centrifugal sugar production (raw value)		
	Actual	Trend	Deviation
Million metric tons			
1969/70-71/72 ..	71.0	73.9	-2.9
1972/73	75.5	75.8	-0.3
1973/74	80.3	77.9	2.4
1974/75	78.2	79.9	-1.5
1975/76	81.3	81.9	-0.6

Consumption

World sugar consumption rose only about one percent in 1975/76, so per capita intake is lower. In the EC, consumption is down about one million tons from 1973/74. EC output in 1976/77 could substantially exceed consumption, and imports under the Lome Agreement would be an additional source of surplus. Japan's sugar consumption declined 16 percent in 1974/75 and will rise only 3 percent in 1975/76. U.S. sugar consumption is expected to show some recovery in 1976.

Despite sluggish consumption, the low 1975/76 world output spells a gain of only about 500,000 tons in stocks, or 16.4 million tons carried over into the 1976/77 season, implying about the same as last season's low 20 percent ratio of stocks to consumption.

Trade

Exports of centrifugal sugar reached 23 million tons in 1974, then eased off in 1975 in reaction to high prices and recession-reduced demand. U.S. imports fell 1.7 million tons to 3.5 million in 1974 as consumption declined and supplies relied more on stocks, increased output, and increased availability of corn sweeteners. U.S. imports could rise 10-15 percent in 1975 to over 4 million tons, but increased production of high fructose corn syrup could moderate the gain.

Expiration of the U.S. Sugar Act and the Commonwealth Sugar Agreement in December 1974 resulted in a big rise in freely traded sugar. However, a number of long-term bilateral agreements are narrowing the free trade share of total sugar exports (see WAS-7, June 1975). The recent agree-

Table 16 --World centrifugal sugar production, trade, and consumption

Country or Region	Production			Net Exports			Consumption		
	: 1969/70-71/72 : Average :	: 1973/74 : 1974/75 : 1975/76 :	: 1969-71 Average :	: 1973 : 1974 : 1975 :	: 1969/70-71/72 : Average :	: 1973 : 1974 : 1975 :	: 1969/70-71/72 : Average :	: 1973 : 1974 : 1975 :	
					Thousand metric tons				
North America									
Canada	: 17423	: 17373	: 17147	: 18462	: 2604	: 1867	: 14733	: 15570	
United States 1/	: 127	: 114	: 101	: 128	: -917	: -898	: 1067	: 1212	
Cuba	: 5581	: 5395	: 5335	: 6364	: -4654	: -4777	: 10193	: 10631	
Dominican Republic	: 6282	: 5800	: 5700	: 5700	: 5739	: 4797	: 624	: 464	
Mexico	: 1073	: 1194	: 1135	: 1179	: 807	: 1031	: 131	: 170	
Other North America	: 2466	: 2835	: 2727	: 2750	: 576	: 607	: 1929	: 2298	
	: 1894	: 2035	: 2149	: 2141	: 1053	: 1107	: 789	: 795	
South America									
Argentina	: 9126	: 1211	: 12517	: 11477	: 2003	: 3270	: 6704	: 7823	
Brazil	: 956	: 1650	: 1532	: 1349	: 139	: 383	: 963	: 958	
Other South America	: 5120	: 6960	: 7400	: 6300	: 1139	: 2354	: 3565	: 4266	
	: 3050	: 3501	: 3585	: 3828	: 725	: 533	: 2176	: 2599	
West Europe									
EC-9	: 10974	: 11777	: 10636	: 12341	: -2388	: -1428	: 14050	: 15169	
Other Western Europe	: 9289	: 9978	: 8977	: 10166	: -1301	: -305	: 10533	: 11116	
	: 1685	: 1799	: 1659	: 2175	: -1087	: -1123	: 3517	: 4053	
Eastern Europe									
	: 4255	: 5157	: 4817	: 5160	: -288	: -552	: 4720	: 5211	
USSR	: 8554	: 9570	: 7730	: 7700	: -523	: -2585	: 10162	: 11200	
Africa									
South Africa Republic	: 4701	: 5535	: 5688	: 5541	: 617	: 903	: 4130	: 3788	
	: 1629	: 1732	: 1883	: 1802	: 777	: 892	: 911	: 1068	
Asia									
People's Republic China:	: 13160	: 15979	: 16392	: 17307	: -3170	: -3189	: 16196	: 17905	
India	: 2008	: 2630	: 2400	: 2500	: -368	: -581	: 3150	: 3800	
Japan	: 4447	: 4950	: 5794	: 5500	: 262	: 259	: 3776	: 3790	
Philippines	: 485	: 653	: 478	: 477	: 2418	: 2372	: 2925	: 3294	
	: 1952	: 2515	: 2465	: 2800	: 1226	: 1474	: 634	: 800	
Oceania									
Australia	: 2813	: 3002	: 3287	: 3330	: 1911	: 2153	: 912	: 982	
	: 2467	: 2652	: 2927	: 2967	: 1738	: 2061	: 718	: 778	
World Total 2/	: 71005	: 80504	: 78214	: 81318	: 764	: 439	: 71641	: 78715	
								: 79766	

1/ Includes Hawaii and Puerto Rico.

2/ World net exports include statistical discrepancies.

Source: Foreign Agriculture Circular Sugar FS 1-76 (April 1976), FS 3-75 (December 1975), FS 2-74 (September 1974), FS 2-73 (September 1973 FS 2-72 (September 1972).

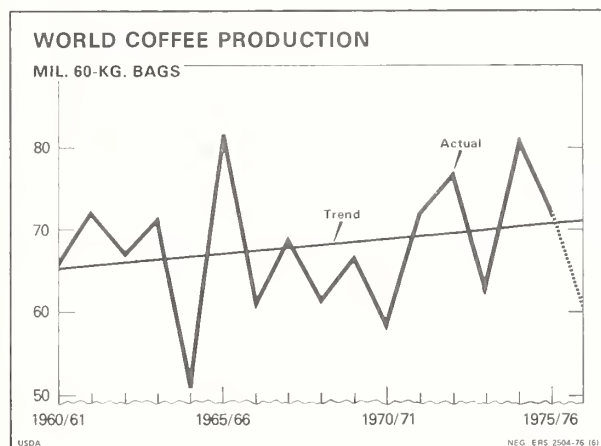
ment between the Philippines and two U.S. companies for 1.15 million tons a year over the next 5 years means that the Philippines will be providing about the same quantity to the U.S. as it did with the Sugar Act (about 1/4 to 1/5 of U.S. imports). Exports under the Cuba-to-USSR agreement will be about 3 million tons in 1976, the same as last year and a third above 1974. The Philippines has

announced exports of 400,000 tons to the USSR in 1976.

GEPLACEA (Latin American and Caribbean producers) will continue its pursuit of more controlled sugar marketing in its July 1976 Panama meeting. Negotiations for a new International Sugar Agreement are expected to be held in early 1977. (Robert D. Barry)

TIGHT COFFEE SUPPLIES AND RECORD PRICES

World production of green coffee fell 11 percent in 1975/76 and will drop a further 16 percent to 60.5 million bags (60-kilogram bags) in 1976/77 (table 17). Prices, which had eased downward in mid-1974, have now reached the highest levels ever. Lower production resulting largely from weather damage to trees in Brazil is expected to keep prices high over the next 2 to 3 years.

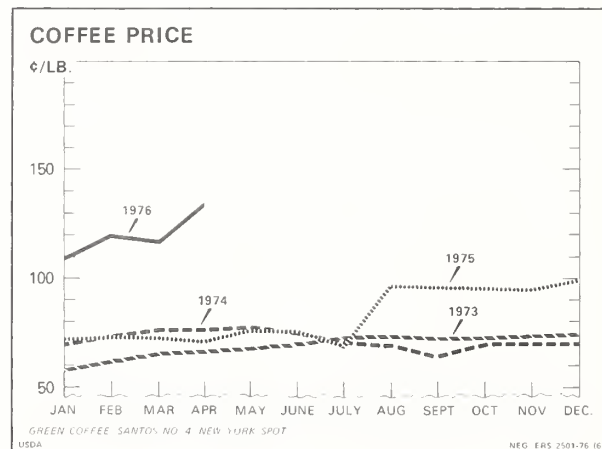


Frost destroyed or damaged 1.5 billion of Brazil's 2.9 billion trees in July 1975 and will depress output in 1976/77 to only 9.5 million bags. An earlier drought had already reduced Brazil's 1975/76 coffee crop to 23 million bags from 27.5 million; Brazil will account for 15 percent of world production in 1976/77, compared with a usual one third. A massive rehabilitation program is underway, to be financed by government loans of almost \$1 billion. Major 1975/76 shortfalls also took place in Angola and in Guatemala. World exportable production (output less domestic consumption in producing countries) will fall to an estimated 43 million bags in 1976/77 before starting up again in 1977/78. Declining carryover stocks in producing countries could drop below 20 million bags by the end of 1977/78 before the effects of Brazilian recovery are felt (table 18).

World coffee production and 1960/61-75/76 linear trend

Year	Green coffee production		
	Actual	Trend	Deviation
Million 60-kg. bags			
1969/70-71/72 ..	66.4	68.7	-2.3
1972/73	76.5	69.4	7.1
1973/74	62.5	69.8	-7.3
1974/75	80.4	70.2	10.2
1975/76	71.6	70.5	1.1

The New York landed price of Brazilian coffee beans (Santos No. 4) averaged \$1.24 a pound in April 1976, compared with \$0.70 in April 1975. High prices could accelerate the trend away from coffee in the United States. U.S. green coffee imports were 20.3 million bags in 1975, compared with an average 21.7 million in 1966-70, but coffee imports in 1976 could be above last year if inventories are built up in anticipation of even higher prices (table 19). U.S. green coffee imports for the first quarter in 1976 were 13 percent above last year.



A new 6-year International Coffee Agreement is awaiting ratification to go into effect October 1, but the quota mechanism is not likely to be activated before 1978/79 because prices are expected to remain above trigger levels. (Robert D. Barry)

Table 17.--World coffee production and exportable production

	Production				Exportable Production			
	1969/70-71/72	1973/74	1974/75	1975/76	1969/70-71/72	1973/74	1974/75	1975/76
	Thousand bags							
Latin America :	30,877	38,389	54,231	47,345	25,934	23,718	39,568	32,558
Mexico :	3,108	3,300	3,900	3,800	1,603	1,690	2,156	2,056
Guatemala :	1,863	2,200	2,500	2,000	1,620	1,925	2,217	1,710
El Salvador :	2,333	2,378	3,300	2,100	2,181	2,203	3,120	1,914
Brazil :	19,700	14,500	27,500	23,000	11,033	6,370	19,500	15,000
Colombia :	7,850	7,800	9,000	8,100	6,466	6,250	7,400	6,450
Africa :	19,738	18,183	20,118	17,709	18,507	16,880	18,789	16,789
Angola :	3,266	3,200	3,000	1,200	3,186	3,095	2,895	1,140
Ethiopia :	2,065	1,700	2,050	2,100	1,428	1,005	1,340	1,375
Ivory Coast :	4,158	3,285	4,500	4,650	4,095	3,219	4,432	4,580
Uganda :	3,178	3,100	3,000	2,800	3,161	3,078	2,978	2,778
Asia & Oceania :	5,212	5,972	6,089	6,567	2,649	3,194	3,232	3,621
India :	1,216	1,535	1,630	1,625	468	730	810	785
Indonesia :	2,150	2,750	2,675	3,100	1,423	1,795	1,700	2,105
World :	66,421	62,544	80,438	71,621	48,190	43,792	61,589	52,572

Source: FAS Coffee Circular April 1973, March 1976.

Table 18 --U.S. green coffee imports by country of origin, 1969-75

Country and Regional	1969-71	1973	1974	1975	Country and Regional	1969-71	1973	1974	1975
					Thousand 60-kg. bags				
Latin America	12,890	13,760	11,554	13,287	Asia & Oceania	1,196	1,168	1,279	1,233
Mexico	1,092	1,641	1,324	1,662	India	96	241	107	258
Guatemala	777	1,111	1,096	874	Indonesia	878	628	942	765
El Salvador	586	1,047	1,111	1,018	Other	3	85	37	70
Brazil	5,496	4,627	2,725	3,748	World	20,535	21,854	19,245	20,289
Colombia	2,538	2,878	3,090	3,400					
Ecuador	460	436	512	694					
Africa	6,446	6,841	6,376	5,697					
Angola	1,409	1,696	2,396	1,202					
Ethiopia	1,047	1,062	505	533					
Ivory Coast	1,060	1,150	749	966					
Uganda	922	938	940	958					

Source: FAS Circular (coffee): April 1973, March 1976.

Source: FAS Circular (coffee): April 1973, March 1976.

Table 19 --Carryover coffee stocks for the world and Brazil 1969/70-1970-30

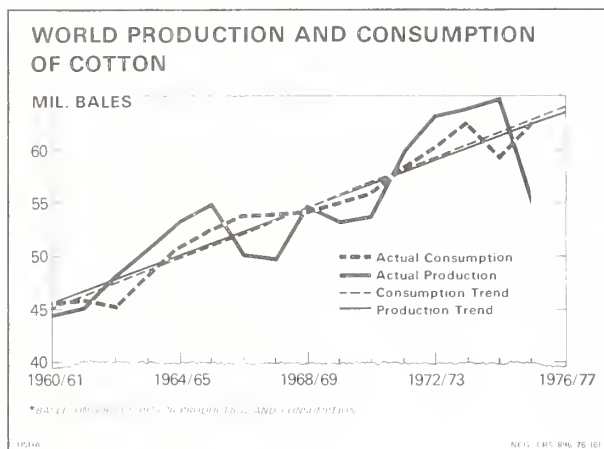
	1969/70- 71/72	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
			--- Million 60-kg. bags ---					
World	58.3	40.9	49.3	44.0	30.8	23.6	21.6	26.5
Brazil	36.4	20.8	28.2	26.9	15.6	9.6	8.6	13.4
Other	21.9	20.1	21.1	17.1	15.2	14.0	13.0	13.1

Source: International Coffee Organization.

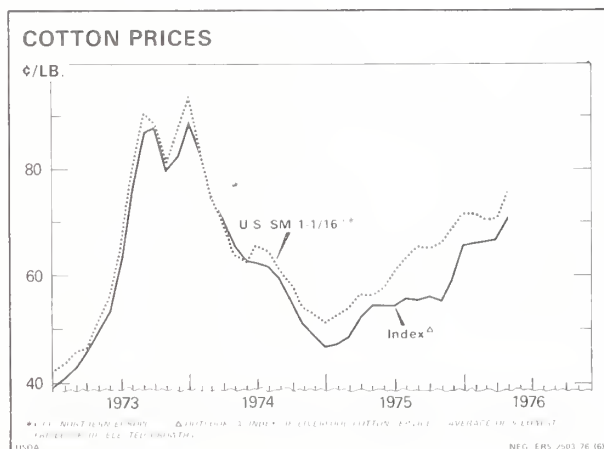
RECOVERY IN DEMAND FOR COTTON

Cotton fiber and textile demand picked up sharply in 1975/76 in response to improved economic conditions and prospects. Consumption will surpass production possibly by 7.5 million bales, cutting down on excessive stocks. Carryin stocks, the chief cushion against production shortfalls, could be considered relatively low, since demand in 1976/77 is likely to exceed production and reduce world stocks by 1 million bales or more (table 20).

lower output follows four successive years of stock building and a major economic downturn that sent prices sharply downward until January 1975. Poor weather and insect damage have pulled yields down almost 6 percent and shrunk the world crop below earlier expectations based on 10 percent less acreage. Major output reductions came in the U.S. (28 percent) and in foreign non-communist exporting countries (22 percent).



Cotton prices, recovering substantially during calendar 1975, have spurted since April 1976. The price of U.S. SM 1-1/16' cotton (California/Arizona, c.i.f. Northern Europe) averaged 74.52 cents a pound in May 1976 up from 56.10 cents a year earlier.



Production

World cotton output in 1975/76 is now calculated at 55.4 million bales, 15 percent below last season, and nearly 8 million below trend. The

World cotton production and consumption and 1960-61-75/76 linear trend

Year beginning August 1	Production		Consumption	
	Actual	Trend	Actual	Trend
Million 480-lb. bales				
1969/70-71/72 ...	55.5	56.9	56.4	57.0
1972/73	63.2	59.1	60.2	59.4
1973/74	64.0	60.3	62.4	60.5
1974/75	64.9	61.4	59.3	61.7
1975/76	55.4	62.5	62.9	62.9

Consumption

Record world consumption of nearly 63 million bales is now forecast for 1975/76. This is 6 percent above the recession-reduced 1974/75 volume and on trend. Pacing the recovery is a 24-percent rise in U.S. mill use. Far Eastern consumption is also up, with usage in both Hong Kong and South Korea at least 20 percent higher than last season. Japan's mill consumption could be up 15 percent, but this would not spell complete recovery. In Japan and Western Europe (where cotton use is not rising), recovery from recession has been slow; further, the textile mills are facing greater competition from low-priced imports. Among foreign non-communist exporters, Turkey, Pakistan, and Brazil could have a combined 500,000-bale increase in cotton mill use, stimulated by subsidies for exports and low production costs. Consumption in communist countries may rise 2 percent.

With predicted consumption at a record, stocks at the beginning of 1976/77 could be reduced 7.5 million bales or 24 percent from the high of 31.2 million at the start of the current season. Half of the stocks draw-down is expected to come from among foreign non-communist exporting nations. Not much more than 300,000 bales is likely to be drawn from stocks of foreign non-communist importers. Communist countries could cut stocks by 1.1 million bales (table 21).

Trade

Cotton exports in 1975/76 could reach 18 million bales, 6 percent above last season, but less than in

Table 20 --Cotton production, exports, imports and mill consumption in selected countries and regions 1969/70-1975/76

	Production				Exports				Imports				Consumption			
	1969/70- 71/72 : Average:	1973/ : 74 : 75 :	1974/ : 75 : 76 :	1975/ : 76 : Average:	1969/70- 71/72 : Average:	1973/ : 74 : 75 :	1974/ : 75 : 76 :	1975/ : 76 : Average:	1969/70- 71/72 : Average:	1973/ : 74 : 75 :	1974/ : 75 : 76 :	1975/ : 76 : Average:	1969/70- 71/72 : Average:	1973/ : 74 : 75 :	1974/ : 75 : 76 :	1975/ : 76 : Average:
	----- Million 480-lb. bales -----															
United States	10.2	13.0	11.5	8.3	3.4	6.1	3.9	3.5	.1	--	--	.1	8.2	7.5	5.9	7.3
USSR	10.1	11.8	12.9	12.1	2.5	3.3	3.4	3.5	1.0	.6	.6	.6	8.2	8.9	9.0	9.2
China, Peoples Republic :	9.2	11.7	11.5	11.0	.1	.1	.2	.2	.5	1.8	.7	.7	9.5	12.0	12.5	12.7
India	5.1	5.6	6.0	5.9	.2	.3	.1	.4	.7	.2	--	.2	5.4	6.1	6.0	6.0
Pakistan	2.7	2.9	2.9	2.4	.7	.2	1.1	.4	--	--	--	--	2.0	2.3	2.2	2.3
Brazil	2.8	2.7	2.4	1.9	1.5	.7	.3	.5	--	--	--	--	1.4	1.8	1.7	1.8
Egypt	2.4	2.2	2.0	1.8	1.4	1.2	.9	.9	--	--	--	--	.9	1.0	1.0	1.1
Turkey	2.0	2.4	2.8	2.2	1.3	1.0	.6	1.7	--	--	--	--	.8	1.0	1.1	1.3
Mexico	1.6	1.5	2.2	.9	1.0	.7	.9	.6	--	--	--	--	.7	.8	.7	.8
Central America .....	.9	1.6	1.4	1.2	.8	1.0	1.3	1.3	--	--	--	--	.1	.2	.2	.2
Sudan	1.1	1.1	1.0	.5	1.0	.7	.5	1.0	--	--	--	--	.1	.1	.1	.1
EC-9	--	--	--	--	.1	.1	.2	.1	4.4	3.9	3.7	3.7	4.0	4.1	3.6	3.6
Eastern Europe .....	.1	.1	.1	.1	--	--	--	--	2.7	3.2	3.1	3.3	2.9	3.3	3.4	3.4
Japan	--	--	--	--	--	.2	.2	--	3.6	3.7	3.2	3.3	3.3	3.4	2.6	3.0
Hong Kong	--	--	--	--	--	--	--	.4	.7	.8	.8	.9	.7	.8	.8	.9
Taiwan	--	--	--	--	--	--	--	--	.6	.9	.7	.7	.6	.8	.7	.7
Korea, Republic of	--	--	--	--	--	--	--	--	.5	.8	.7	1.0	.5	.8	.7	.9
Other Countries	7.3	7.4	8.2	7.1	4.0	3.9	3.4	3.6	3.5	4.0	3.8	3.8	7.1	7.6	7.1	7.6
World Total	55.5	64.0	64.9	55.4	18.0	19.5	17.0	18.0	18.3	19.9	17.3	18.3	56.4	62.4	59.3	62.9

Source: Foreign Agricultural Service.

Table 21 --Cotton stocks beginning of season 1960/61-1975/76

	World	U.S.	USSR	Foreign Non-Comm.	Total Exporters	Total Importers
	Million 480-lb. bales					
1960/61-62/63:	19.5	7.4	1.3	9.3	12.4	7.0
1969/70-71/72:	21.4	5.5	1.4	12.0	13.0	8.3
1972/73	20.8	3.3	2.5	12.4	12.0	8.9
1973/74	23.8	4.2	2.9	13.8	13.7	10.1
1974/75	25.6	3.8	3.1	14.4	14.8	10.8
1975/76	31.2	5.7	4.2	17.5	21.0	10.2

Source: Foreign Agricultural Service.

each of the 3 seasons prior to 1974/75. U.S. shipments down for the second year in a row, will be 10 percent lower at about 3.5 million bales. Outside the U.S. a 1.4-million-bale increase in exports is expected mostly from Turkey, Brazil, and Sudan. Brazil's exports are still less than half the previous 10-year average as Brazil's mill use has increased and tax incentives have encouraged a shift from raw cotton to cotton product exports. Pakistan's low current season exports reflect a smaller crop and exceptionally high exports the previous year (tables 20 and 22).

Outlook

Demand for cotton should be buoyant in 1976/77, in step with the general world economic recovery.

Supplies will tighten. Foreign cotton demand has been forecast at 57 million bales and production at 51 million, leaving a 6-million-bale balance that could be translated into U.S. exports, foreign stocks drawdown, or possibly demand for man-made fibers. U.S. acreage has been estimated as 19 percent more than in 1975/76 and this would permit exports of about 4 million bales, less than the potential of about 5 million bales implied by the foreign supply and demand projections (assuming a 1-million-bale foreign stocks drawdown). Given the strength of U.S. mill activity, export markets, and the high prices for cotton (both absolutely and relative to alternative crops such as rice, corn, and soybeans), U.S. production will be insufficient to meet indicated demand. (*Robert D. Barry*)

WORLD TOBACCO SITUATION

World tobacco production in 1976 is expected to remain near last year's record level (table 23). Cigarette production probably will expand over the 1975 level by about 2 percent, and stocks should rise. World leaf exports in 1976 may fall by 3 percent. The U.S. auction price for flue-cured leaf dropped 5 percent in 1975, but may rise in 1976. The support price for the 1976 crop is expected to be up about 14 percent from last season.

Production

The lack of growth in world tobacco output in 1976 results largely from smaller crops in the

United States and Brazil. Prospective acreage in the United States is down 7 percent, although yields for flue-cured and burley crops may average higher than last season. Heavy rains reduced Brazilian output 15 percent. Outside the United States, PRC, and Brazil, production in 1976 is estimated to be about 3.5 percent higher than last year because of higher output in Japan and sizable gains in Mexico, Thailand, the Philippines, Greece, South Korea, and Syria. Indian and Turkish output are each expected to decline by about 3 percent in 1976.

World cigarette production, increasing in a close line with the 1960-74 trend, is expected to rise at

Table 22--U.S. cotton exports by destination, 1969/70-1975/76 1/

Country	Average 1969/70- 1971/72	1973/74	1974/75	1974/75 August- April	1975/76 August- April
	<u>1,000 running bales ^{2/}</u>				
Japan	730	1,312	957	752	398
China, People's Republic of	0	820	289	186	8
Korea, Republic of	478	722	628	398	690
China, Republic of (Taiwan)	0	542	384	213	390
European Community	(306)	(414)	(316)	(264)	(83)
Italy	75	124	98	80	40
Germany (West)	56	101	52	40	4
France	42	81	65	58	18
United Kingdom	65	60	38	29	8
Other EC	68	48	63	56	10
Hong Kong	100	356	73	19	36
Canada	261	258	186	146	98
Indonesia	221	223	72	35	203
Philippines	136	154	111	61	78
Bangladesh	0	92	48	44	107
Romania	49	89	44	44	0
Switzerland	27	78	58	50	13
South Vietnam	107	65	29	28	<u>3/</u>
Spain	20	35	58	44	12
Poland	30	30	22	19	0
India	191	--	--	--	--
Others	589	556	471	332	144
Total	3,245	5,746	3,746	2,635	2,260

1/ Years beginning August 1.2/ Export bales were, on the average, packed heavier than 480 lbs. net, so the total number of bales shown here does not agree with the net weight bales shown in table3/ Less than 500 bales.

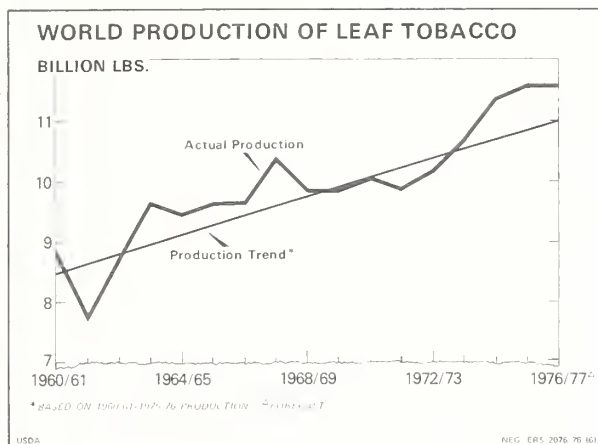
Source: Foreign Agricultural Service.

Table 23--World leaf tobacco production in selected regions and countries, average 1969-71, annual 1973-75

Region and Country	Average 1969-71	1973	1974	1975 <u>1/</u>
Million pounds <u>2/</u>				
North America	2,347	2,365	2,635	2,733
United States	1,806	1,743	1,990	2,193
Canada	232	257	257	225
Mexico	134	128	148	114
Other North America	175	237	270	201
South America	751	772	939	1,090
Brazil	426	399	497	630
Argentina	133	157	215	213
Colombia	96	107	91	118
Other South America	96	109	136	129
West Europe	534	607	578	665
EC-9	295	343	344	360
Greece	185	202	179	241
Spain	49	57	49	59
Other West Europe	5	5	6	5
East Europe	705	802	749	856
Bulgaria	254	311	309	331
Poland	181	172	143	205
Yugoslavia	97	143	130	149
Other East Europe	173	176	167	171
U.S.S.R.	563	672	690	657
Asia	4,531	4,941	5,220	5,200
Peoples Republic of China	1,700	2,103	2,169	2,116
India	779	821	973	871
Turkey	339	334	437	460
Japan	352	347	334	347
Indonesia	246	287	186	188
Pakistan <u>3/</u>	358	227	234	258
Philippines	191	168	173	161
South Korea	132	244	211	245
Thailand	96	100	123	152
Other Asia	337	310	380	456
Africa	428	470	504	541
Rhodesia	141	142	175	209
South Africa	77	68	74	66
Malawi	45	70	60	75
Other Africa	165	190	195	191
Oceania	44	41	42	41
Australia	36	34	35	34
New Zealand	8	7	7	7
World total	9,902	10,670	11,783	11,961

Note: Details may not precisely add to totals because of rounding.

1/ Preliminary. 2/ Farm-sales weight basis. 3/ Includes Bangladesh.



World tobacco production and 1960-75 linear trend

Calendar year	Actual	Trend	Deviation
<i>Billion pounds¹</i>			
1969-71 Average	9.90	10.28	-0.38
1972	10.15	10.63	-0.48
1973	10.67	10.81	-0.14
1974	11.36	10.99	+0.37
1975	11.67	11.17	+0.50
1976	11.71 ²	11.35	+0.36

¹ Farm sales weight. ² Forecast.

about 2-percent over the 1975 level. U.S. cigarette output is expected to increase to a new record in 1976. Total cigarette manufacture outside the United States has increased steadily since 1960

and is expected to rise about 2 percent in 1976 to a new record. Brazil's cigarette manufacture has been rising at least 13 percent a year since 1973. Japan is estimated at about the same level as in 1975.

World cigarette output and 1960-75 linear trend

Calendar year	Actual	Trend	Deviation
<i>Trillion pieces</i>			
1969-71 Average . . .	3.17	3.21	-0.04
1972	3.43	3.42	+0.01
1973	3.58	3.52	+0.06
1974	3.68	3.63	+0.05
1975	3.75 ¹	3.73	+0.02
1976	3.82 ²	3.84	-0.02

¹ Preliminary. ² Forecast.

Trade

World exports (including centrally plan countries) of unmanufactured tobacco (declared weight) may decline for the second year in a row to 2.66 billion pounds in 1976, about 3 percent below 1975 and about 9 percent below 1974. U.S. exports are expected to about equal last year's volume despite a continued expansion in Middle East markets. Imports of tobacco into the United States are expected to be up almost 10 percent in 1976. Brazil's export outlook is less optimistic because of its production shortfall. Turkey's exports, reflecting the recent strong demand for oriental leaf, are estimated to rise 13 percent above 1975. (Robert D. Barry and Charles E. Goode)

REGIONAL AGRICULTURAL DEVELOPMENTS

For a more detailed review of regional agricultural developments in 1975 and early 1976, see these reports in the Foreign Agricultural Economic Reports series: *The Agricultural Situation in Western Europe* (April 1976), and reports similarly titled covering the *Soviet Union* (April 1976), *Eastern Europe* (March 1976), *Far East and Oceania* (June 1976), *Western Hemisphere* (June 1976), *People's Republic of China and Other Communist Asian Countries* (June 1976), and *Africa and West Asia* (June 1976).

World Weather²

North America

In early April, rain finally fell over much of the drought-plaquet U.S. hard red winter wheat area in the central and southern Great Plains, and prospects for wheat improved considerably. Many areas of the southern Great Plains received over twice the normal April precipitation. Soil moisture was plentiful during early May, but precipitation was well below normal during May across the Great Plains. After an early corn planting season, some areas of the corn belt developed temporary moisture shortages, but the corn crop is off to a good start. Only portions of Minnesota and the Dakotas remain very dry.

Drought persists in California where water supplies in the mountains are less than half of normal for this time of year, with no significant precipitation expected until fall under normal conditions. Dryland pastures are in very poor condition.

Moisture conditions for spring planting in Canada have been generally adequate except for portions of Alberta. Relatively dry April-May weather enhanced planting in the prairie Provinces and a wet June boosted crop prospects there and in Montana and parts of North Dakota.

South America

January through March rains generally broke the drought in Brazil and helped the situation in Argentina. Rains have continued in many portions of Brazil, and the outlook for the coming crop year is very good except for small areas of the northeast. However, extensive damage did occur to the corn and sorghum crop in Argentina. Brazilian

crops have generally fared well in the important central and southern states. Rains have been very generous in the northeast, boosting cotton prospects. Chile has received well below normal precipitation so far this year, but heavy rains in central Chile brought some relief.

Western Europe

A prolonged drought has caused considerable damage, and additional losses are likely without more moisture in Belgium, France, and the United Kingdom and northern Europe. Rains in early June brought relief to most other areas of Europe. Southern Europe, Spain, and Italy have received excellent moisture throughout the period.

USSR

Dry weather last fall caused difficulties in establishing stands of winter grains. Thin and poorly tilled fields were common in much of the Ukraine. Heavy snows in January improved the soil moisture situation. February turned dry and two very cold periods caused considerable winterkill on exposed fields. March moisture was more adequate and temperatures have been cooler than normal. Although winterkill may have been somewhat higher than usual, moisture conditions for reseeding were enhanced by above normal moisture in much of the European USSR during April and early May. May precipitation was above normal in the northern portions of the Ukraine, but well below normal in some southern areas. Rains in the Caucasus brought much needed relief.

Asia-Oceania

Winter wheat and rice were planted in India, Pakistan, Bangladesh, Sri Lanka, and Thailand last fall under excellent moisture conditions following the excellent monsoon last summer. However, the so-called 'winter monsoon' which occurs in January and February was virtually non-existent. Sri Lanka and southern India, primary rice-growing areas, were the most severely affected.

²A summary of significant conditions since the publication of the last *World Agriculture Situation*, WAS-9, December, 1975. Detailed information on world weather appears the third or fourth week of each month in the *Weekly Weather and Crop Bulletin*, published jointly by the U.S. Departments of Agriculture and Commerce.

Snowfall was also light in the mountains of Tibet, a source of irrigation water for Bangladesh and India. Rainfall during April was well above normal in India but still seasonally light. Bangladesh and areas to the east have received persistent, substantial rains during May. Early indications are that the Indian monsoon started about on schedule during early June.

In the People's Republic of China, the winter months were seasonably dry, but the winter wheat was established last fall with good soil moisture. Much of the crop will be irrigated as it begins to develop. Early rice and corn benefited by general March rains in the southern portions of the country. Late March rains in the spring wheat area of Manchuria enhanced spring wheat sowing. During April, precipitation was above normal in the northeast, below normal in the northern portion of the North China Plain, and about normal elsewhere. Good rains fell in the northeast in the first half of May.

Good summer moisture helped Australia harvest a larger than expected wheat crop after a very dry sowing season last year. Continued moisture during January and February replenished soil moisture in the wheat growing areas. Pasture growth in many central areas was exceptionally good as the result of unusually heavy rains. April and May moisture has been very light in the wheat-growing areas. Conditions are generally drier than would be desired for this time of year, with many farmers waiting for moisture before seeding.

The Philippines has experienced a period of unusually dry weather. Tropical Storm Olga struck the Islands during the last 2 weeks of May causing considerable losses due to heavy rains and high winds. From 5 to 30 inches of precipitation fell in a 10-day period. However, crop damage was generally minimal because of the stage of crops and the previous dry conditions. (*Richard Felch*, National Weather Service)

United States³

Increasing output of livestock products and prospects for large crops again this year highlight the near-term U.S. agricultural outlook. These large supplies face expanding consumer buying power and a growing domestic market. Foreign demand prospects continue strong, although some weakening may develop later this year if world crop production improves.

³This section is based on a more detailed discussion of the U.S. agricultural situation published in *Agricultural Outlook*, A0-11, USDA, June 1976.

U.S. Crop Supply Potential Building

Farmers have indicated they plan to plant more corn, cotton, and wheat acreage this year, but less to soybeans and rice. An estimate of planted acreages released June 30 was not available for this report. Favorable spring weather in most areas allowed farmers to get an early start on planting this year. However, this does not assure a favorable growing or harvesting season. Accordingly, projections for 1976/77 are still highly tentative. But with average or better growing conditions, another large crop in 1976 would follow last year's 11-percent increase from 1974's weather-reduced output. Coupled with a buildup in carry-over stocks, this could mean a 5-percent increase in supplies of crops for the 1976/77 marketing year. The most significant gains are expected for corn and cotton.

Crop prices strengthened in the second quarter of 1976 after remaining fairly stable since last winter. Increased feed use and heavy exports helped offset larger 1975/76 supplies. However, if large grain crops do develop, grain prices would likely weaken near harvesttime and average near this season for 1976/77.

Livestock Output Expanding, But Prices Higher

The expansion in livestock and poultry output now underway is expected to continue through 1976. Combined output of livestock and livestock products in 1976 may total around 4 percent above 1975, including sizable production gains for fed beef, pork, poultry, and milk. Despite larger output, growing demand is keeping livestock prices well above a year ago. Livestock prices may weaken later in the year if beef and pork output rise seasonally as expected. However, farm prices of livestock and products in 1976 may still average around a tenth above last year's level.

Farm Income Maintained

Expanding markets are bolstering farm returns despite larger crop and livestock supplies. A record flow of cash receipts from livestock products is underway for 1976. Even if crops are large this year, the price impacts of bigger supplies may be offset by expanding domestic markets and prospects for well-maintained exports. As a result, crop receipts may be down only modestly from 1975.

Production expenses will continue to rise and largely offset expected increases in gross receipts. Consequently, the net income position of U.S. farmers in 1976 is not expected to change much from last year when net income totaled around \$26 billion, including the value of a sizable buildup in inventories.

Moderate Rise in Food Prices Likely

Large food supplies, along with some narrowing in farm-retail price spreads, resulted in a slight dip in retail food prices during early 1976. Increased food supplies will continue to have a dampening impact on food prices, but rising consumer demand, seasonally smaller supplies of some major foods, and increased marketing costs will create upward price pressures.

Retail food prices are expected to turn up this spring and summer. Higher beef prices will contribute to this increase as supplies drop seasonally. Also, seasonal price advances for poultry products and fresh fruits and higher prices for coffee and fish are indicated. However, sharp increases like last summer are not likely, and by fall larger meat supplies and seasonal price drops for some crop foods may bring some easing in retail food prices. As a result, for the year, food prices are expected to average 3 to 4 percent above 1975. Considering the uncertainties associated with crop and economic developments both here and abroad, food prices in the U.S. may average some 2 to 5 percent above 1975. (*Robert R. Miller, National Economic Analysis Division*)

Other Developed Countries

Crop Prospects Uncertain

Considerable uncertainty surrounds grain crop prospects in the European Community (EC) due to persistence of drought in some areas. Highly favorable weather prevailed through mid-March, and total EC grain production had been forecast to approximate 107 to 108 million metric tons—about 10 percent above 1975 output. However, a severe drought since late March has affected parts of Northern Europe—Northern France, parts of West Germany, Belgium, Netherlands, and the United Kingdom—and the likelihood of lower average yields of grains will cause production to fall sharply below earlier expectations. Conditions as of mid-June appear favorable for increased grain production in Portugal and Greece, but cutbacks in fall-planted barley could cause Spain's total grain production to fall below the 1975 level.

According to the 1976 crop planting intentions survey, Canadian farmers planned a 14-percent increase in wheat area over 1975 (from 23.4 to 26.7 million acres). Plans for coarse grains were to hold area about stable (up only 1 percent), while significant area cutbacks (from 5.8 to 3.6 million acres) were contemplated for oilseeds (rapeseed, flaxseed, and soybeans). A 700,000-acre cutback in summer fallow was planned. Estimates by the Canada Grains Council (CGC), however, concluded that the

planting intentions for wheat were excessive and predicted that acreage would total about 24.3 million acres. The CGC also expected area declines for oilseeds to be limited to 1 million acres, compared with the 2.2-million-acre decline shown in the planting intentions report.

Australia is well into the fall planting season with low soil moisture conditions prevailing. Wheat production in 1975 totaled 11.7 million tons, a relatively good crop. Coarse grain production was estimated at 5.9 million tons, a record two-thirds higher than the average over the previous 15 years. Grain export availability and sales have been at a high level in 1975/76, but transportation-handling problems have acted as a constraint on the physical movement of grains.

Livestock Outlook Improving

Continued improvement in feed-livestock product price ratios is resulting in increased animal feeding in the EC. Hog and poultry numbers are on the rise as producers respond to improved price-cost relationships. The Community's import quotas on beef—although increased slightly from 1975 levels—are still quite restrictive. Beef intervention stocks in the EC exceeded 250,000 metric tons at the end of calendar 1975 and the "jumelage"⁴ system is still operative. Beef production in the EC in 1976 should decline below 1975 because of last year's reduced cattle inventory. Milk production in the EC has continued to expand leading to the accumulation of surplus dairy products.

Canadian-U.S. trade relations concerning beef and live cattle returned to normal January 1 with the removal of trade restrictions. Pork production has declined sharply in Canada, creating a substantial export outlet for U.S. pork. Import quotas on eggs and poultry remain in effect.

The outlook for livestock feeding in Japan has brightened significantly in recent months, with the improvement in feed-livestock product price ratios. Brood sow numbers, beef cattle numbers, and broiler chick placements are all up. In addition, Japan has increased the beef import quota—from 10,000 metric tons (general use) in April-September 1975 to 45,000 metric tons in April-September 1976. Japan's relaxation of pork import restrictions last year led to a phenomenal growth in U.S. shipments of pork to Japan during July 1975-March 1976; 109 million pounds were exported to Japan, compared with 36 million pounds a year earlier and 10 million pounds 2 years earlier.

⁴As of May 31, 1 ton of beef could be imported if 2 tons were removed from intervention stocks.

In Australia, beef prices have recovered from 1975 lows of about 8 cents per pound liveweight. The slaughter rate in 1975 rose sharply as some producers were unable to further prolong holding of cattle from market. Government subsidies to beef producers and unusually favorable grazing conditions helped to prevent an even further deterioration in the beef sector.

Recent Policy Actions

On March 6, 1976, the EC agreed to raise agricultural support prices covered by the Common Agricultural Policy by an average of 7.5 percent for the 1976/77 marketing year.⁵ Price increases varied among commodities and, in some cases, prices ratios were deliberately altered in an attempt to encourage shifts in commodity usage. One action potentially damaging to U.S. feedgrain exports was the EC's establishment of a dual support system for soft wheat (one for quality wheat and one for feed wheat). Support prices for feed wheat for 1976/77 were lowered 7.9 percent, while substantial support price increases were mandated for barley (4.5 percent) and corn (8.5 percent). The EC plans to set equal support prices for feed wheat, barley, and corn in 1977/78, with actual market prices being determined by the relative feeding values of the three grains. In addition to shifts in grain support price ratios, the EC sharply increased grain target prices from which are derived the threshold prices and, ultimately, the variable levies. The result will be increased EC protection against grain imports from non-EC countries, stimulation of domestic production, and a dampening effect on demand. EC feed manufacturers and livestock producers will intensify their efforts to find lower-cost feed substitutes for the more expensive grains.

Faced with nonfat dry milk (NFDM) stocks of 1.2 million tons, the EC in March 1976 began operating a scheme for incorporation of 400,000 tons of NFDM for use in livestock rations (other than calf). Feed manufacturers are induced to either denature, or to incorporate directly into certain livestock feed, the NFDM purchased from intervention agencies. To enforce the regulation, the Community has devised a system of deposits on domestically produced and imported vegetable protein (the deposit on a ton of soybeans is approximately \$25). The deposits are refunded upon proof of incorporation of NFDM and of qualifying mixed

feeds. This scheme will restrain U.S. soybean exports to the EC and, at best, can only be a short-term solution to a serious structural problem.

Continued deterioration of foreign reserves led the Italian Government on May 5 to impose a prior import deposit on all imports except wheat. Through August 5 (or possibly an earlier date if conditions sufficiently improve), importers are required to post non-interest bearing deposits with the Bank of Italy equal to 50 percent of the value of the foreign purchase. These deposits will be frozen for 3 months. U.S. farm exports to Italy will suffer during this period.

Since April 23, the United States has imposed countervailing duties against imports of frozen boneless beef from the EC (only the Republic of Ireland and Northern Ireland are affected since these are the only areas of Western Europe certified free of foot and mouth disease and eligible to ship fresh or frozen beef to the United States). The duty is 21.3 cents per pound, equal to the export subsidy that the EC pays.

Japan has dropped plans to tax imports of soybeans and feedgrains which were designed to raise revenue for stockpiling these commodities. Instead, the government will subsidize stockpiling, allocating \$5 million during April 1, 1976 to March 31, 1977 for storing 50,000 tons of food soybeans, 100,000 tons of corn, and 250,000 tons of feed barley.

The Japanese Government is spending \$4 million in 1976 to promote rice consumption in order to stem its decline. The promotion involves introduction of rice into the school lunch program, television and radio promotion, and other public relations programs, such as rice festivals. The Central Union of Agricultural Cooperatives is also spending \$5 million in 1976 in a similar campaign. (Reed E. Friend)

USSR

Effects of last year's drought continue to be reflected in output of livestock products and food supplies in the USSR. This year's spring sowing was basically completed on time, and as of mid-June, moisture levels in most of European USSR were generally above normal. Moisture levels in Asiatic USSR, however, have been decreasing rapidly and bear watching.

As of June 22, the USDA forecast of 1976 grain production in the USSR was 190 million tons—50 million above the disastrous 1975 crop, but about 15 million below plan. The forecast of the wheat crop was 75 million tons, up from the 1975 output. Winter grain production was forecast at 44 million tons, down a tenth from 1975. Winter grain area is down from last year due both to poor germination in the dry fall of 1975 and above-normal winterkill

⁵For a detailed discussion of the price decisions see these Economic Research Service publications: *The Agricultural Situation in Western Europe*, FAER no. 119, April 1976 and *Foreign Agricultural Trade of the United States*, May 1976, pp. 52-57.

problems in southern areas of the winter wheat zone.

Moisture supplies at the beginning of the 1976 growing season were slightly below average in European USSR and better than average in Asiatic USSR. Precipitation during the fall and winter was not sufficient over most of European USSR to fully replenish soil moisture supplies which had been depleted by the 1975 drought. On the other hand, above-average precipitation last winter over much of Asiatic USSR did replenish moisture supplies. The regions in which moisture supplies continued to be quite limited at the beginning of the 1976 growing season included the North Caucasus, the Volga Region, the Urals, and Western Siberia.

The moisture situation has changed significantly in the past several months. Precipitation from mid-April through early June was much above average over most of European USSR, and soil moisture supplies improved significantly, although some areas in the southeastern part of European USSR were still deficient in moisture. In Asiatic USSR, on the other hand, precipitation from mid-March through early June was only a little over half of the normal amount, and soil moisture supplies were depleted rather rapidly. Much of the region received good rains in late May, but hot, dry weather returned in early June. Precipitation will be needed soon for crop growth in this area.

Spring seeding was basically completed in the USSR by June 7, covering a total of 154 million hectares. This is about 5 percent more than on the same date 1975. Seeding got off to a slow start because spring reportedly arrived 10 to 15 days late in the south. Delays in seeding generally did not exceed 3 to 4 days. The European part of the USSR received substantial rains in late April which benefited already-seeded crops but tended to slow seeding progress in some areas.

Spring grain area (excluding corn) had been seeded on 97 million hectares as of June 7, about 2 million hectares more than in 1975 on the same date. The area of corn for grain in 1976 will probably be about equal to the 4 million hectares harvested annually in 1972-74. Total winter and spring grain area is estimated at 128 million hectares.

Cotton seeding was completed by mid-May, and the area planted reportedly reached a record 2.95 million hectares, compared with last year's level of 2.92 million hectares. Some replanting was necessary because of torrential rains, but the crop was reported to be doing well at the end of May. Similarly, sowing of sugar beets was finished by mid-May, reaching the planned level of 3.7 million hectares—about the same as in 1975. Cool, wet weather delayed germination of beets, while aiding

weed infestations. This necessitated reseeding in some areas and interfered with thinning in others. Seeding of sunflowers was completed by the third week of May. Sunflower area, at an estimated 4.75 million hectares⁶ was about equal to the nearly 4.8 million originally planted in the spring of 1975, but up sharply from the less than 4.1 million harvested last fall. Vegetable seeding, after getting off to a slow start, caught up to about last year's level by the end of May. Potato planting this spring lagged behind the seeding progress of the previous year.

The late spring also delayed the pasturing of livestock. The effects of the serious shortage of grain and feed supplies and the ensuing distress slaughter of livestock—mainly hogs and poultry—in 1975 were reflected in the January-April 1976 results in the Soviet livestock sector. As of May 1, hog and poultry numbers on state and collective farms were 18 and 13 percent, respectively, below a year earlier. Sheep and goat numbers were 4 percent less, while total cattle numbers were up 1 percent.

Total meat production (live weight) on state and collective farms in January-May 1976 dropped 7 percent below the level of the previous year. Pork output, because of reduced slaughtering and lighter weight animals being sent to slaughter, was down 32 percent. Poultry meat, on the other hand, was at about the same level. Beef production increased 4 percent. The largest percentage gain, however, was in mutton and lamb output, which rose 18 percent from a year earlier.

Egg production during January-May fell 4 percent below the same period in 1975, although the rate of lay per hen increased 2 percent because of heavy culling earlier of laying hens. Milk production fell 8 percent, a direct result of a 10-percent drop in average milk yields due to reduced feed supplies.

Soviet consumers have been experiencing sporadic, localized food shortages since mid-winter. Shortages of some food products nearly always occur by late spring in the USSR. However, this year's reports indicate more serious problems than usual because of the tight supply situation. Although variety is lacking and quality is low, sufficient supplies of food are available to maintain Soviet caloric intake near average levels.

Shortages of some types of meat have reportedly occurred in several urban areas, including normally well-supplied Moscow. A partial response to the Moscow shortages has been the introduction of "meatless Thursdays" in the city's restaurants and

⁶Including 4.6 million hectares on state and collective farms and an additional estimated 150,000 hectares on other farms.

cafeterias. According to the head of the Board of Moscow Public Catering Enterprises, the ban on meat was designed "to improve the food pattern of Moscovites" by encouraging them to consume other products. However, the plan seems to be aimed primarily at cutting meat consumption. He estimated that meatless Thursdays in Moscow save 300 tons of meat per week.

Sporadic shortages of vegetables and fruits have been reported in Moscow and other parts of the country, and instances of shortages of bread and flour in some regions also have been reported. Such shortages may be attributable to inefficiencies in the food distribution system as well as limited supplies. (*Linda A. Bernstein*)

Eastern Europe⁷

Crop Development Stage Behind Normal

Vegetation growth in Eastern Europe was 2 to 3 weeks behind normal by mid-May. Freezing in March delayed field work. Dry weather in April, while favorable for sowing, retarded the growth of fall-sown crops and was detrimental to the germination of seeds sown in spring. The below-normal precipitation during October-March accentuates the concern about the thus far dry spring. In countries worst hit by moisture deficits—Bulgaria, Czechoslovakia, the GDR, Hungary, and Poland—soil moisture ranged from 80 to 90 percent of normal in mid-May. Good rains fell throughout Eastern Europe in late May, but dry weather returned in the northern countries in early June.

All crops wintered well with to the exception of rapeseed in Poland. Sowing plans in the fall were fulfilled, in contrast to 1974 when wet conditions hindered completion of targets. Rapeseed in Poland was hurt by the March freeze and about 20 percent had to be resown with other crops, but the area sown was still larger than in the previous year.

In the sowing pattern, the changes are not very significant. The GDR increased its winter grain area for 1976 harvest by 100,000 hectares, and the area in Poland returned to normal from the unusually low level in 1975. A shift from rye and oats to wheat and barley in the northern countries and to corn planting in the southern countries is continuing. Poland will experiment with large-scale corn production, using French certified seeds and Western technology and involving about 50,000 hectares, compared with the less than 6,000 hectares sown just a few years ago. Slight increases in

Eastern Europe: Sown area of grain, 1975 and 1976

	1975	1976 ¹
	Million hectares	
Wheat	9.8	10.3
Rye	3.9	3.8
Barley	4.6	4.9
Oats	2.2	2.1
Corn	7.9	8.1
Other grain	0.7	0.6
Total grain	29.1	29.8

¹ ERS and FAS estimates 5/14/76.

sugar beet area are expected in several countries. The urgency which characterized the policy of expansion in sunflowerseed and soybean production in the past few years, in practice, abated once it became evident that the oilmeal supply was adequate on the world market.

Red Meat Production Slows Down

The fast increase during 1971-74 in red meat production, particularly pork, slowed down in some countries and even reversed direction in others. Cow numbers in January 1976 were down 1 percent and hog numbers 3 percent from the January 1975 level. Inadequate domestic feed supplies, particularly for private breeders, and difficulty in export marketing dampened breeding enthusiasm.

Domestic demand for meats continued to increase as income rose and meat prices remained stable. Supply lagged behind demand and sporadic shortages occurred in Czechoslovakia, Hungary, and Poland. A shift in all countries from a small to a large-scale livestock industry is in progress to increase efficiency and save labor.

Further Deterioration in Balance of Trade with the West

Faster increases in imported agricultural raw material prices than in value-added exports caused a deterioration in terms of trade in all East European countries. In addition, the reduced EC meat imports deprived the East European exporters of their traditional hard currency market.

In spite of some relaxation lately in the EC meat embargo, Hungary turned to the USSR to ensure a stable outlet for its beef. According to a 10-year special agreement signed in 1976, Hungary will sell about 60,000 tons of live cattle annually to the USSR—about half of its exports in the last few years. This special agreement also includes 500,000 to 800,000 tons of annual grain exports (wheat and corn) in return for above-quota Soviet supply of oil and oil products, cotton, and wood products.

Reduced opportunities for exports to the West forced all countries to either restrict imports from

⁷Bulgaria, Czechoslovakia, German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia.

the West, buy on credit, or borrow hard currencies.
(*Thomas A. Vankai*)

People's Republic of China

Prospects for agriculture in the People's Republic of China (PRC) in early June 1976 are mixed, due primarily to unfavorable weather in some of the more important cropping areas. Heavy rainfall in much of North China during fall sowing of winter wheat, the dry winter with little snow cover in the more northern parts, and cold spells during spring probably affected wheat stands. Although there is no evidence of excessive winter-kill due to frost, there was a need for early irrigation in many sections of the North China Plain. The effect of weather on yields may have exceeded gains in increased acreage, resulting in a winter wheat crop about the same or possibly less than the record 1975 crop.

The prolonged dry conditions in Northeast (Manchuria) and Northwest China have affected farming operations and the planting of spring wheat. In some areas, it was necessary for initial irrigation to facilitate land preparation for planting. Problems stemming from dry weather caused delays in planting, resulting in a drop of spring wheat acreage, compared with 1975. Dry weather in other areas of spring wheat also had a depressing effect in the earlier part of the cropping season.

The cropping areas of Northeast and Northwest China received above-normal amounts of precipitation in late April and through much of May; this moisture came at the optimum time to support crop growth. Although not sufficient to restore normal levels of soil moisture, this precipitation brightened the prospect of an otherwise questionable crop. The heavy rains in late May in Heilungkiang Province further heightened prospects for the spring wheat crop, but the cutback in acreage may reduce that crop. Therefore, prospects for the total wheat crop have diminished from earlier expectations and the 1976 wheat production may not equal last year's record crop.

Other fall-sown crops, including barley, pulses, and rapeseed, are grown in the southern sections of China where excessive rain and cold during the spring of 1976 have retarded crop growth. The acreage of rapeseed was again expanded significantly, but cold weather may have reduced yields. Acreages of overwintering wheat and other summer harvested crops reportedly totaled 667,000 hectares over that in 1975. The increase in 1975 was only 133,000 hectares over 1974. Much of the 1976 increased acreage may have been planted to catch crops in the southern part of the country.

On the basis of a recent weather-crop analysis, it is questionable that the output of total winter sown crops can equal the record output in 1975.

The other major grain crop included in the early grain harvest is early rice, grown primarily in southern China. Weather similar to that in the spring of 1975 was a factor during land preparation, planting, and transplanting operations. Generally, above normal precipitation in many parts of the early rice area along with low temperatures and extended period of cloudiness caused rotting of seedlings and slow growth of the rice crop. By early June 1976, after very intensive efforts, Kwangtung Province, the largest producer, and Hunan Province reportedly completed transplanting of early rice on a larger area than in 1975. However, the lateness of the crop is expected to have an effect on the follow-up late rice crop, whose maturity date may extend well into the frost period in the fall. Furthermore, stands were spotty in many of the areas affected by the weather. Nevertheless, the early rice crop, still a question, could improve substantially under present warming conditions. But belated transplanting and poor stands in some areas cloud prospects for that crop. Kwangtung Province, for instance, was still 10 percent below the acreage goal for transplanting rice as late as the end of April.

The aggregated acreages of the early harvested grains representing about 40 percent of the total grain output, appear to exceed those in 1975 despite the cutbacks mentioned. The massive (largest ever) farmland improvement and capital construction activity in agriculture—with emphasis on increasing the irrigation potential—from September 1975 through March 1976 should compensate for some of the negative effects of the weather earlier in the spring. Even so, reduced yields may negate the advantages of the increased acreages. Thus, the total early grain harvest now appears less likely to equal the level of last year.

The outlook for the late grain harvest has improved somewhat due to widespread rain and increased use of irrigation facilities in the dry areas. Although reports are sketchy, indications are that most autumn harvested grains and soybeans were planted on time and under more favorable conditions than spring wheat. But favorable weather, increased agricultural inputs, and intensified cropping practices will be required if the PRC is to equal or surpass the estimated record 280 million-ton grain crop (including 10 million tons of soybeans) in 1975.

Other crops including cotton, bast-fibers, sugarcane, tea, and tobacco reportedly were planted on time and progressing well. Acreage of cotton may have been increased because of the reduced crop last year.

It is expected that livestock and poultry production will continue to increase following good progress in 1975. The push toward collectivized production of hogs is expected to continue in 1976.

The foreign trade pattern in 1975 is expected to remain about the same in 1976, with continued restraints on imports, especially for agricultural products. Exports of agricultural products probably will expand somewhat, but are not likely to retain the relative importance of past years if PRC rice exports do not increase. Exports of soybeans also are in question following recent deferments in filling orders already committed from the 1975 crop.

Prospects for U.S. agricultural exports to the PRC in 1976 are limited. Some exports of cotton later in the year are possible because of rising world demand for Chinese textiles and a slight drop in China's cotton crop in 1975. In light of the above crop estimates, prospects for significant shipments of grains, soybeans, or other agricultural products are poor. (*Marion R. Larsen*)

Asia^a

At the end of 5 months the 1976 agricultural situation for Asia augurs well for a good year. In *India*, which accounts for over half of this region's crop output, estimates of the 1975/76 food grain production have been revised upward since the major rice harvest occurred during October-January and wheat was harvested during March and April. Reports from the states indicate that output of milled rice in 1975/76 will probably exceed 46 million tons. Wheat production is likely to reach 26 million tons, still slightly below the 26.4 million tons recorded in 1972.

Fertilizer use in India increased from 2.6 million nutrient tons in 1974/75 to 2.9 million nutrient tons during 1975/76. This combined with the ideal monsoon last summer and improved irrigation facilities last winter resulted in higher yields.

India continues to import wheat and rice despite the record crops and large government stocks now exceed 11 million tons. Grain imports in fiscal 1976 (July-June) are expected to reach 8 million tons, up from slightly under 6 million tons in fiscal 1975. Wheat imports are likely to reach 7 million tons in fiscal 1976—up 5.5 million tons in fiscal 1975. Imports of sorghum and rice will also be higher. India's agricultural exports will remain strong in 1976. Larger exports of peanuts, peanut meal, tobacco, tea, coffee, and vegetables will help offset a decline in the value of sugar exports. The value

for sugar exports might fall from a record \$514 million in 1974 to about \$400 million in 1976 because of lower prices. The quantity of sugar exported will probably reach 1.2 million tons in 1976—up from 950,000 tons in 1975.

India's total imports in 1976 are expected to remain near \$6 billion. Wheat imports will probably fall to about \$1 billion—down from \$1.2 billion in 1975. Yet, imports of sorghum, rice, dairy products, palm oil, pulses, and fruit will increase.

Pakistan's wheat harvest is underway. Due to good weather and heavy use of fertilizer, Pakistan is expecting to harvest a record crop of 8.4 million tons of wheat, compared with 7.8 million tons harvested a year ago. Also, the rice harvest is expected to be about 2.5 million tons up 9.6 percent over the crop produced a year earlier. Depending on the outcome, 600,000 to 700,000 tons of rice should be available for export during the current trade year. A drop in cotton exports is expected due to a sharp drop in cotton production during the 1975/76 crop year.

A minor setback has been reported in the repair of two irrigation tunnels of Tarbela Dam due to recurrence of erosion. Tarbela Dam water may not be available for rice and cotton which will be sown during July and August. If the repairs go well, water may be released for winter wheat which will be sown during October through December 1976.

In *Bangladesh*, despite record food grain harvests of 13.4 million tons in 1975/76, agricultural production is still having difficulty as it fails year after year to keep up with the nutritional needs of a population growing at a rate of about 3 percent per year. Production shortfalls create a 'foodgap' that results in an increasing demand for and dependence upon imported supplies of food grains.

The combination of a large rice harvest of 13.2 million tons in 1976/77, the accompanying successful government procurement program of 370,000 tons, and the simultaneous arrival of an overwhelming amount of food grain imports has clogged the marketing and storage facilities of the country. The arrival of large quantities of bagged milled rice has congested the harbors overloading facilities set up to handle and store bulk wheat. The most recent amendment to the fiscal 1976 P.L. 480 agreement (March 1976) has increased the amount of wheat and rice to be shipped from 400,000 tons to 550,000 and from 50,000 tons to 200,000 tons, respectively. Also, the addition of 40,000 tons of soybean cottonseed oil has been made. Estimates of fiscal 1977 U.S. exports to Bangladesh are 300,000 tons and 700,000 tons of P.L. 480 rice and wheat, respectively.

In the *Philippines*, the current agricultural picture is mixed. Sugar surpluses are being reduced as a result two large long term contracts with U.S.

^aExcludes Communist Asia, West Asia, Japan, Australia, and New Zealand.

companies calling for a total of 1.15 million tons annually for the next 5 years. These contracts, coupled with reported sugar sales to the Soviet Union will generate substantial foreign exchange which will lower the trade deficit considerably.

The Philippines prospects for self-sufficiency in rice may have been dampened by the extensive damage caused by typhoon Olga. Although most of the main season rice crop had not been planted, some damage may have been done to the seedbed area. Prior to the typhoon, another record crop had been forecast, which could still make the country virtually self-sufficient in rice production for the second straight year. On the favorable side, the typhoon ended a threat of drought and was advantageous for coconuts and sugarcane.

Indonesia's rice supply situation appears to be deteriorating once again. The official estimate for the 1975 crop was reduced from 16.2 million tons to 15.3 million tons, resulting in rising imports during early 1976. The Indonesian wet-season rice crop, harvested April-June 1976, has suffered from widespread flooding, extensive cloud cover, and, particularly heavy infestations of the "wereng" pest.

Because of the limited availability of disease-resistant high-yielding varieties, many farmers have reportedly switched to hardier traditional varieties which result in lower yields. Large rice imports contracts have been signed with Thailand and other Asian suppliers in addition to the 100,000 tons being supplied by the United States under P.L. 480.

Thailand's total production for 1975/76 remains unchanged at 10.0 million tons of milled rice. Although the export availability of rice is about 2.0 million tons, recent estimates predict that no more than 1.3 million tons will be exported in CY 1976. Price incentives led to a 1-million-ton 1975/76 second paddy crop despite the Thai government attempt to encourage a transfer of resources to crops other than rice.

Rice exports during the first 4 months of 1976 were approximately 200,000 tons higher than for the same period in 1975, reaching a level of 591,223 tons. Rice exports are expected to be less active for the remainder of the second quarter until the new government establishes a firm rice export policy. The increased demand for corn from the domestic feed milling industry and purchase by exporters to fulfill commitments resulted in domestic corn prices that were at a high level and actually exceeded export prices during the 1976 January to May period. To soften the price speculation and stabilize domestic prices, the Thai government cancelled a 70,000 ton May contract with Japan. The area planted to the 1976/77 corn crop has increased from the previous year due to the high

prices and the estimated production for 1976/77 is 3.2 million tons.

Adverse weather has slowed *Hong Kong's* flow of rice and vegetables from People's Republic of China. A rebound in shipments of U.S. cotton to Hong Kong plus larger deliveries of fruits, vegetables, and frozen poultry are likely to bolster U.S. sales to this market in 1976.

In the *Republic of Korea* the season has not progressed enough for crop forecasts but inputs are expected to be more costly. As for trade, Korean textile manufacturers now feel they should have bought more cotton when prices were lower. Prices for imported cotton have increased markedly in recent months and export demand for textiles has picked up steadily. Also, exports of plywood, shoes, and ships are on the upswing. U.S. cotton exports to Korea might reach \$300 million in 1976, but deliveries of rice and barley will be down. Imports of U.S. wheat might reach 1.8 million tons in 1976—up from 1.5 million tons in 1975. Korean corn imports are likely to reach 700,000 tons in 1976, including over 450,000 tons from the United States.

On *Taiwan*, the government set an ambitious target for rice production of 2.7 million tons in 1976/77 crop year. If the target is realized, it will be almost 20 percent higher than last year's rice production of 2.26 million tons.

The government also plans to import about 3 million tons of wheat, corn, barley and soybeans during 1976/77. The bulk of these commodities will come from the United States. As Taiwan has recently signed a trade agreement with the United States to import 500,000 tons of wheat, 450,000 tons of corn, 600,000 tons of soybeans and 200,000 tons of barley. (*H.C. Treacle*)

Latin America

The Latin American agricultural situation in 1976 will be influenced by sharply reduced harvests of Brazilian coffee and Argentine feedgrains. Expansion of sugar output may also be limited because of 1975 drought damage to cane in some areas. However, early-year moisture conditions were favorable in most countries and a near-record crop area is anticipated this year. Soybean production expanded to a new high and potential records are indicated for wheat and rice. Central American banana production has recovered from late 1974 hurricane damage and higher world prices are expected to stimulate some increase in cotton plantings from the 1975 low. A continuing rise in output of beef and other livestock products should also contribute to a general recovery in the region's agricultural growth.

Large foreign exchange needs encouraged rising agricultural exports from the region as world

demand continued to strengthen in early 1976. High rates of inflation and restrictions imposed to maintain foreign exchange reserves continued to limit growth of agricultural imports; and a recovery in 1975 production resulted in a large drop in Mexican purchases, particularly of grains and oilseeds. However, the regions wheat imports rose sharply to fill shortfalls from 1975 crops, particularly in Brazil.

U.S. agricultural imports from Latin America for January-March increased from \$875 million for 1975 to \$1 billion for 1976, but exports fell from \$637 million to \$517 million. Much of the rise in imports represented higher coffee prices, but volumes for cattle, meat, cocoa, and vegetables were larger. Sugar imports in January-March expanded from a 1975 level of 340,000 tons to 500,000 tons, but total value was down significantly. U.S. exports of wheat for the same period increased from 964,000 to 1.3 million tons, but feedgrain shipments fell from 1.1 million to 667,000 tons. On balance, the decline in total value of U.S. exports represented a general drop in commodity prices.

Argentina's trade outlook for 1976 improved with harvest of the large wheat crop in late 1975, currently estimated at nearly 8 million tons. However, unusually dry December-January weather sharply reduced the April-May 1976 corn (5.8 million tons) and sorghum (4.5 million tons) crops, and combined export supplies for the two grains (3.8 to 4.0 million tons) is the lowest for recent years. Oilseed production is estimated to be near the reduced 1975 level, but an increase in sunflower and soybean production is expected to provide some expansion in oil and meal exports during the year.

Moisture levels were improved by recent rains and conditions are reported ideal for pastures and planting of late cereal crops. The new Argentine Government is planning a program to encourage further expansion of the wheat area, including a tripling of support prices in local currency to an equivalent of about \$110 per ton (\$2.99 per bushel) at current exchange rates. Current production forecasts, ranging upward from 9 million tons, would provide a 1977 export surplus of nearly 5 million tons, compared with 3.6 million estimated for 1976. Current estimates for 1976 beef exports range from 400,000 to 600,000 tons, compared with 264,000 tons in 1975.

Brazil's coffee crop suffered a severe setback from the mid-1975 freeze and the 1976 harvest is estimated to be less than one-half the 1.4 million tons for 1975. However, the high priorities given agriculture in order to stimulate exports has encouraged record plantings of corn and rice this year. Soybeans continued to expand as a double

crop under the wheat improvement program and as a cash crop on pasture and coffee land in some southern agricultural areas. Their use as a cash crop under the coffee replanting program also contributed to a 23-percent rise in production to a new high of 11.6 million tons. Current conditions indicate a strong recovery in later 1976 sugarcane and wheat crops from 1975 lows, with production forecast to exceed previous records of 7.4 million and 2.8 million tons.

Larger supplies and the need to increase foreign exchange earnings is expected to stimulate record Brazilian exports of soybeans, corn, rice, oilseed meals, and vegetable oils in 1976. High world prices may encourage restrictions upon consumption and the draw-down of stocks to maintain coffee exports, although volumes are not expected to reach the 1975 level estimated at nearly 775,000 tons. Sugar exports were suspended in March because of domestic shortages, but production from the 1976 cane harvest may stimulate record sales later in the year. Wheat imports are expected to be near an alltime high, exceeding 3 million tons in 1976, because of the small 1975 crop.

Mexico's agricultural situation remained generally favorable in early 1976 although drought is reported to have reduced irrigation water supplies in the northwest coastal areas. This may result in some reduction in soybeans from the 1975 record of 600,000 tons, and some sources indicate an increase in cotton in response to higher world prices. Government programs continued to provide strong incentives for major food crops. Wheat production is forecast to exceed the 1975 record of 2.7 million tons, and moisture conditions are generally favorable for planting later corn and beans. U.S. agricultural trade statistics for January-March indicate a rising export volume for cattle, beef, and winter vegetables and a sharp drop in Mexico's imports of grains oilseeds, and related products.

Other Latin America is expected to maintain a moderate rise in sugar output despite some reductions from 1975 drought in Jamaica. Colombian coffee production is forecast down significantly from the 1975 record of 539,000 tons due to heavy rains last October, and El Salvador production is estimated to be down sharply from a year earlier. Chilean wheat production, harvested early in the year, was estimated to be down 11 percent from 1975 indicating the need for larger imports. Banana production should resume near-normal growth trends, reflecting strong recovery in Honduras. Better growing conditions indicate an improved situation for grains and other food crops in most Central American and Caribbean Countries (*Howard L. Hall*).

Africa

Africa expects a good agricultural year in 1976. There is a larger wheat crop in North Africa, but less corn in South Africa. In the Sahel, crop production has been in a normal range for the last 2 years, but some, not massive, relief aid continues as a remnant of the severe drought of the early 1970's.

The Grain Situation in South Africa.—The South African 1976/77 (May-April) crop is now estimated at 7.8 million metric tons. Last year's crop was 9.1 million tons. The grain sorghum estimate is also down, to 337,000 tons. The 1975/76 (October-September) wheat crop estimate is 1.78 million tons.

A late start for the rainy season and then extensive damage from excessive rains and floods in the first 3 months of 1976 mainly caused the corn crop setback. Corn exports may be only about 2 million tons during the 1976/77 marketing year in contrast to 3.2 million during the 1975/76 year and carry-over will be near minimum levels. No sorghum exports are expected.

The 1976/77 marketing year basic producer corn price for the best grades has been set at \$74.89 per ton (\$1.90 per bushel), or 16 percent over last year. During 1974 and 1975, prices were increased by 12 percent each year. An additional sum will be paid retroactively, from the Maize Board's export profits, for deliveries during the 1975/76 marketing year, bringing that price up to \$71.44 per ton.

The corn price to consumers was increased sharply (18 percent) to \$67.98 per ton. A subsidy of \$6.91 per ton, financed half by export profits and half by the government, holds the consumer price lower than it otherwise would be.

South African Sugar Prospects.—A record sugar crop of 2 million metric tons is expected during 1976/77 (May-April). Sugar is South Africa's most valuable agricultural export, surpassing corn during 1976. South Africa is Africa's largest sugar producer and was the world's seventh largest exporter in 1974. Production during the 1975/76 season just ended is estimated at 1,801,088 metric tons.

Record rainfall early in 1976 resulted in the lowest sugar to cane ratio in 20 years, but did not cause significant damage to the new cane crop. The higher than normal water table is expected to benefit it.

Sugar exports in 1975 totalled 771,287 tons, valued at over R 200 million (1 R=US \$1.15). Major buyers were Japan, Canada, and the United States. Imports by the United States were 123,000 tons.

Sugar production in South Africa is not increasing as fast as domestic consumption. Pro-

duction increases have slowed down, averaging only 1.6 percent per year from 1970/71 to 1975/76. The potential for higher yields is considered to be only slight, and suitable cane-growing land is being lost to other uses. However, the African "homeland" of Kwazulu does have 100,000 hectares of potential sugarcane land. The South African Sugar Association is providing training and financial incentives to Zulu and Indian canegrowers in this area.

The government has disapproved a requested increase in domestic sugar prices, despite the fact that production costs significantly exceed the selling price. In Durban, the retail price of sugar is equivalent to 7.5 U.S. cents per pound—perhaps the lowest in the world. Domestic consumption was about 1.1 million tons in 1974/75, or about 43 kilograms per capita, and is increasing rapidly. (*Lawrence A. Witucki*)

West Asia

West Asia, including Turkey, is expected to produce record grain crops in 1976, but the region's need for imported grain will remain high. Turkey's wheat harvest is expected to be a record 12 million tons. Since this crop comes on the heels of last year's bumper crop, Turkey has perhaps in excess of 1 million tons of wheat for export. Exports of this magnitude would create a financial burden for the government since the support price and transport charges to port exceed world prices. Turkey also plans to export 200,000 tons of barley.

Iran, the second largest wheat producer in the area is expected to at least equal last year's crop. Iran is also expecting an excellent barley harvest in 1976, and the rice crop is also estimated to be up. Even with these large crops, substantial imports are planned for 1976/77: Wheat, 1.3 million tons; rice, 200-250,000 tons; corn, 250,000 tons; barley, 250,000 tons; and sorghum 200,000 tons. In all cases the United States should have the major share. Soybean oil imports are estimated at 250,000 tons, mostly from the United States.

Both Syria and Iraq are expecting slightly higher wheat crops in 1976, but the latter is still likely to increase wheat and rice imports.

Jordan's wheat crop is estimated at 140,000 tons, half of the record 1974 crop. Imports of wheat and wheat flour are projected at 275,000 tons.

Israel's wheat production is estimated at somewhat below 200,000 tons, about 20 percent less than last year, because of a severe dry spell in January. Israel's import requirements for the 1976/77 season are placed at 469,000 tons for wheat and 1.12 million tons for feed grain.

Imports of wheat by countries of the Arabian Peninsula are likely to rise markedly in 1976 as new flour mills begin operating. Australia will ship

200,000 tons of wheat annually to Saudi Arabia during the next five years (double the 1970-75 average), and will export more wheat to United Arab Emirates and Oman where new flour mills recently opened.

Rice imports by Saudi Arabia, United Arab Emirates, Oman, and Yemen Arab Republic will be up

substantially in 1976. U.S. rice sales to Saudi Arabia and Yemen Arab Republic are increasing as demand in rural areas picks up. U.S. rice exports to Saudi Arabia in fiscal 1976 are likely to reach 140,000 tons—almost double the volume during fiscal 1975. (*Michael E. Kurtzig and John B. Parker*)

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

UNCTAD IV

The Fourth Session of the United Nations Conference on Trade and Development (UNCTAD-IV) concluded its month-long session of laying the groundwork for decision making on a "new international economic order" on May 30, 1976 in Nairobi. The central task of the 153 UNCTAD member nations was to find ways of ensuring stable commodity prices and export earnings for developing countries.

The conference closed with a compromise resolution on commodities calling for negotiations on the establishment of a Common Fund that would finance commodity stabilization agreements. The resolution, stemming from a "Third World" proposal, deals with the linking of commodity prices with those of manufactured goods, and with the operation of buffer stocks and export controls. Of the eighteen commodities covered in the program, most are agricultural and include meats, oilseeds, cotton, and sugar, as well as tropical products.

The same resolution calls for the convening of a negotiating conference on the common fund no later than March 1977; the convening of preparatory meetings on individual commodities followed by negotiating conferences to be completed by the end of 1978; and the establishment of an ad hoc intergovernmental committee to oversee and implement the measures under the Integrated Program.

Several countries, including the United States, are opposed to the creation of such a fund and take the position that, while buffer stocks are useful in some instances, they are not required for all commodities. They also contend that the method and source of financing stocks should vary with the circumstances of each commodity, and that linking the financing of commodities such as cocoa, cotton, and copper is unworkable. The United States continues to hold the position that commodities should be discussed on a case-by-case basis. A proposal by Secretary Kissinger to establish a \$1-billion International Resource Bank (IRB) to promote the development of resources in poorer nations was rejected by the Conference; however, the U.S. will advance the IRB proposal again in other international fora. (*Barbara S. Blair*)

Multilateral Trade Negotiations

The United States moved the Tokyo Round of Multilateral Trade Negotiations (MTN's) into a new and important phase this March by proposing a general tariff-reduction formula and by offering to reduce U.S. barriers to the importation of tropical products from 37 developing countries.

The U.S. tariff-cutting proposal seeks to reduce duties within the range in which the largest volume of trade and largest number of rates now occur (5%-15%), to insure more equitable access among developed country markets, and to provide more secure and favorable access to developed markets for developing country exports.

With the overall aim of reducing duties by 50 to 60 percent, the proposal combines both linear (cutting tariffs by the same percentage) and harmonization elements (cutting higher duties by a greater percentage than lower duties). The formula, which has not been disclosed, would apply to both agricultural and industrial products and would decrease the present level of tariff escalation whereby duties tend to become progressively higher with each stage of a commodity's processing.

Several countries, the European Community in particular, have expressed some opposition to the proposal. The Community, as it has consistently argued throughout the negotiations, favors separate negotiations on agriculture. Specific views on the proposal are expected to be given at the July Tariffs Group meeting.

The U.S. presented an initial offer to 37 developing countries to liberalize trade in 147 tropical products, valued at approximately \$1 billion, annually. The offer is contingent upon the extent of concessions to be made by the countries benefiting from the U.S. concessions. In seeking reciprocity and in accordance with the Tokyo Declaration, the U.S. will consider the country's development, financial, and trade needs. While the U.S. is offering only Most-Favored-Nation (MFN) concessions, the EC, Japan, Canada, and the Nordics are offering an expansion of their Generalized System of Preferences (GSP) as well as MFN concessions. In the U.S. view, GSP is a unilateral, non-

reciprocal, nonnegotiable grant that should be kept separate from the MTN's.

Based on the EC/U.S. December 1975 compromise, the Agriculture Group has adopted a work program which essentially provides that participating countries notify each other of those trade restrictions on products other than those covered by the meat, dairy, and grains subgroups which are of particular interest to them. Notifications will be followed by bilateral and multilateral consultations, with the results being communicated to other relevant MTN Groups and Subgroups. Although the U.S. has made notifications on agricultural products in the Quantitative Restrictions Subgroup (QR) and has held consultations with 12 of the 36 countries it has notified, it will make further notifications under the above procedure.

Meanwhile the first stage of multilateral examinations and analyses of export and import measures maintained in the grains sector was continued in the Grains Subgroup's May session and those maintained in the bovine and dairy products

sectors were completed in the February sessions of the Meat and Dairy Subgroups. The existing GATT and OECD arrangements for nonfat and whole milk powder and butterfat were also discussed in the Dairy Subgroup. It was noted that some of the major weaknesses of the arrangements are that all the major dairy trading countries do not participate in them and that the arrangements have not contributed to resolving the surplus problems in the skim milk powder sector. The EC proposed that the Subgroup work on means to improve and extend the existing devices in international arrangements and agreements for the most homogeneous dairy products and on the potential consequences of devices contemplated in new arrangements and agreements. However, the United States favors the Subgroup concentrating on solutions of surplus problems which are not to the detriment of other countries and commodities.

All MTN Groups and Subgroups are scheduled to hold sessions this summer and fall. (*Barbara S. Blair*)

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